DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND
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REPLY TO
ATTENTION OF

AMCIR

07 July 2005

MEMORANDUM THRU Assistant Secretary of the Army, (Financial Management and Comptroller), 109 Army Pentagon, Washington, DC 20310-0109

FOR Secretary of the Army, 101 Army Pentagon, Washington, DC 20310-0101

SUBJECT: U.S. Army Materiel Command Annual Statement of Assurance on Management Controls

1. The management control process throughout the Army Materiel Command provides reasonable assurance that:

    a. We safeguard assets against waste, loss, unauthorized use, or misappropriation.

    b. Obligations and costs comply with applicable law.

    c. We properly record and account for revenues and expenditures to permit the preparation of accounts and reliable financial and statistical reports, and to maintain accountability over the assets.

    d. We efficiently and effectively carry out programs and administrative functions in accordance with applicable law and management policy.

    e. The military and civilian managers who meet the criteria outlined in paragraph 2-10 of Army Regulation 11-2, Management Control are required to have explicit management control responsibilities in their performance agreements.

2. This determination is based on a general understanding and adherence to the General Accountability Office Standards for Internal Controls as verified by methods necessary to evaluate the adequacy and effectiveness of management controls. The following actions support this determination:

    a. Assurances by senior leadership of subordinate organizations.

    b. Assurances by principals of staff organizations

    c. Performance of all required management control evaluations by applicable organizational elements.

  d. Performance of other management control evaluations warranted by local circumstances.

  e. Performance of the management control process in the areas of leadership emphasis, training, and execution are addressed in Tab A.

  f. Consideration of audit, inspection, and other independent review reports.

  g. Heightened awareness and formal responsibility for the adequacy of management controls by military and civilian managers.

3. The application of management control evaluations and other methods of evaluation throughout the U.S. Army Materiel Command detected no other management control problems considered material weaknesses, except as included in Tab B of this report.

2 Encls
1. Tab A
2. Tab B

RICHARD A. HACK
Lieutenant General, USA
Deputy Commanding General

HOW THE ASSESSMENT WAS CONDUCTED

TAB A

THE BASIS FOR REASONABLE ASSURANCE

TAB A-1

AMC - BASIS FOR REASONABLE ASSURANCE

<u>**HEADQUARTERS**</u>**:**

The determination of reasonable assurance is based on a general understanding of the Government Accountability Office's Standard for Internal Controls. Army Materiel Command (AMC) has taken a combination of actions to ensure confidence that management controls are in place and operating as intended. Actions taken include:

- Assurances by senior leadership of subordinate organizations.

- Assurances by principals of staff organizations.

- Performance of all required management control evaluations by applicable organizational elements.

- Performance of other management control evaluations warranted by local circumstances.

- Performance of the management control process in the areas of leadership emphasis, training and execution.

- Consideration of audit, inspection, and other independent review reports.

- Heightened awareness and formal responsibility for the adequacy of management controls by military and civilian managers.

- Convened weekly Staff Updates with Command Group and Principals to discuss issues affecting command operations, external audits and management control issues.

- Adhered to applicable regulations and policies governing the following standard managerial functions, whose heightened visibility, sensitivity, or potential for abuse make them areas of special management control interest: use of Government purchase cards and Government travel cards; time and attendance.

- Initiated Lean Six Sigma projects at all activities which focus on improving the effectiveness and efficiency of important command processes. Results of these projects when completed can be measured in terms of improved quality, speed of service or cost savings.

TAB A-1

HEADQUARTERS (CONTINUED):

- Provided weekly updates to the Command Group on a wide-range of critical actions/plans being performed throughout the AMC staff sections. Command Group also provided items for the update to the Chief of Staff, United States Army.

- Assigned programs and administrative functions are successfully completed in accordance with applicable laws and regulations.

MAJOR SUBORDINATE COMMANDS (MSCs):

The MSCs' determinations are based on a general understanding and adherence to the Government Accountability Office Standards for Internal Controls. Also, several actions and methods of evaluations were conducted to provide reasonable assurance that management controls are in place and operating as intended. The following actions support the determination:

- Assurances by senior leadership and managers of subordinate organizations.

- Performance of all required management control evaluations by applicable organizational elements.

- Performance of other management control evaluations warranted by local circumstances.

- Considered audit, inspection, and other independent review reports.

- Heightened awareness and formal responsibility for the adequacy of management controls by military and civilian managers.

- Convened weekly Chief of Staff meetings with Principal Staff and Special Staff leaders to discuss ongoing Management Control Process actions and issues.

- Assigned specific responsibility for the adequacy of management controls to civilian and military managers and evaluated them on their management control responsibilities.

OTHER INFORMATION REQUIRED

(LEADERSHIP, TRAINING AND EXECUTION)

TAB A-2

AMC - OTHER INFORMATION REQUIRED

This Annual Statement of Assurance is based on a combination of actions taken to ensure there is a reasonable level of confidence that management controls in Army Materiel Command (AMC) are in place and operating as intended. The following actions outlined in the categories (i) Leadership Emphasis, (ii) Training and (iii) Execution demonstrate AMC's commitment to safeguard our entrusted assets.

LEADERSHIP EMPHASIS – HQ AMC:

- Commanding General Memorandum distributed to HQ AMC Senior Leaders and Major Subordinate Commanders stressing the importance of the Command-wide Management Control Process. This memorandum reminded all managers that the Army's Management Control Process continues to receive increasing high-level attention within the Army and the Congress. Through active leader participation AMC's Management Control Process has a solid basis upon which to build. Proper management controls are essential to achieving mission accomplishment, and strong leadership is crucial to improve our management controls.

- Commanding General Memorandum issued to HQ, AMC Senior Leaders and Major Subordinate Commanders providing the Commander's Statement on Ethics. By issuing this memorandum, he expects commanders, directors and supervisors to continue to ensure that everyone attends in-person ethics training sessions.

- Command Group and Principal Staff elements conducted senior level meetings to discuss how each Assessable Unit Manager (AUM) was addressing management controls and to obtain leadership guidance and approval on all new and existing material weaknesses. These meetings were used to improve the management control process, management control training, review of material weaknesses and to address important management control issues.

- Command Group emphasis that Commanders and Senior Managers participate in the Depot and Arsenal Executive Leadership Program (DAELP). The DAELP is an executive program designed to provide a comprehensive, integrated picture of leadership, enterprise management principles and tools needed to be effective leaders of complex organizations.

TAB A-2

LEADERSHIP EMPHASIS - HQ AMC:

- Senior leadership and Principal Staff elements required prompt evaluation of and response to all audit and inspection findings and recommendations related to the functional responsibilities; maintained a framework for pinpointing responsibility and to achieve Integrity Act objectives; and annually updating the list of employees who are required to have management control statement responsibilities in their performance standards.

- Senior leadership and Principal Staff elements continued to reenergize the Management Control Process down to the division level by demonstrating strong support and emphasizing the importance of effective management controls.

- HQ Staff elements continued a civilian Leadership Program for every leadership level/grade in AMC. The program provides comprehensive plan and policy guidance to develop measures of effectiveness to evaluate the Major Subordinate Command (MSC) Leadership Training compliance/performance. A baseline has been established to compare present status to future performance in each area against these measures. This leadership-training plan is included in the CG's Annual Training Guidance and Training Calendar and progress from the baseline is measured and reported in the Strategic Readiness System and Balance Score Card.

- The Balanced Scorecard is the CG's tool used for measuring and determining how well AMC is executing its strategy and to facilitate the early detection of critical resourcing issues through the use of specific performance measures. The AMC Balanced Scorecard embodies every goal and objective outlined by the AMC Strategic Plan. The AMC Balanced Scorecard is also used to track execution of those objectives tasked to AMC in the Army Campaign Plan. Additionally, the SRS cascading and alignment process from HQ AMC required every General and Special Staff section, MSC, and selected reporting agencies, to develop plans for implementing the CG's strategy and supporting Balanced Scorecards to measure their execution of those plans. The intent is for leaders at every level to use SRS to monitor how their operations link to the overall vision and objectives of The Army Plan via the Balanced Scorecard and as a tool for the management of resources.

- An essential element in successfully completing AMC's mission is continuous improvement in our support to the Warfighter. AMC is leading the execution of Lean Six Sigma initiatives designed to streamline our operations across the enterprise, reduce bureaucracy and improve our flexibility and agility. AMC continues to focus on integrating Lean Six Sigma into the culture of the command through training, execution and leadership.

MAJOR SUBORDINATE COMMANDS:

- Commanding Generals' memorandums highlighting the value of imbedded management controls and the requirement to review training presentations for the overall process issued to each AUM. Continued to reiterate the importance of identifying and correcting deficiencies before they become findings/weaknesses.

- Commanding Generals stressed the importance of the Management Control Process (MCP) by continued emphasis being placed on controls to ensure that all responsible officials have contribution goals or performance standards on management control responsibilities and are rated on these goals/standards.

- Commanding Generals formally appointed assessable unit managers and outlined management control responsibilities and their expectations. AUMs addressed senior functional managers at staff meetings to establish/maintain support for stewardship throughout the organization.

- Commanders continued to reiterate the Management Control philosophy that included identification and correction of deficiencies before they become a finding/weakness. Support is evidenced in the emphasis placed on identifying and correcting material weaknesses.

- Commanders established Executive Steering Groups on Management Controls, comprised of senior level managers. These groups reviewed potential material weaknesses and made recommendations to the command groups.

- Organizational directors conducted a Management Control Executive Conference to discuss efforts in MCP, to include, training, checklist completion, and corrective action plans for new and prior year material weaknesses.

AMC MANAGEMENT CONTROL TRAINING:

Management Control Process training was conducted on a wide scale and at all levels of this command. Subordinate commands have their own Management Control Process Training Programs established. They conducted training using various methods (classroom presentations, desk-side briefings, training CDs, web-based training products, USDA classes, town hall meetings,
train-the-trainer approaches and workshops, etc.). Training sessions included AUMs, management control administrators and other managers.

AMC MANAGEMENT CONTROL TRAINING (CONTINUED):

- The Management Control Section, located on the HQ, AMC Internal Review and Audit Compliance Office (IRACO) website, provided Management Control Administrators (MCAs) command-wide instant access to management control guidance, other important management control websites, and various management control process training materials.

- The MCA created Management Control Process Tri-fold Guides to provide information and responsibilities for each phase of the Management Control Process and Annual Assurance Statement (ASA).

- The MCA held Video teleconference (VTC) command-wide training sessions to discuss MCP issues, training requirements and ASA guidance.

- Command Counsel provided the Department of the Army's requirement for annual Ethics training for all military and civilian AMC employees.

- AMC conducted internal refresher training on a continuous basis. Classes are designed to reinforce and complement formal training across multiple functional areas. Classes conducted have included: Army Fiscal Code; Defense Appropriations and Obligations Rules; Management Control Program; Joint Reconciliation Program Army Accounting; and Inflation Adjustments. Also, other training methods besides classroom instruction were used, to include: Provided functional area supervisors with copies of the Government Accountability Office (GAO) Standards for Internal Management Controls as a refresher, attending formal Management Control Administrator's courses, local training through formal presentation: Army Management Control Evaluation Refresher training, and developed a guide which provided guidance to division chiefs on "Developing Management Control Plans and Evaluations."

- There are several ongoing initiatives in the Command's resource management community aimed at the avoidance and investigation of Anti-deficiency Act (ADA) Investigation Manual in 1998. This 150-page manual, the first of its kind in DOD, is both a training aid and an all-encompassing guide for ASA investigating officers and their appointing officials on the ADA itself and on the ADA investigation processes and requirements. Since its publication, notes have been assembled toward the next edition of the manual, based on AMC's experiences with the use and practical application of the manual in actual ADA investigations. HQDA has advised that it intends to begin work on the second edition and has again requested AMC's assistance in the effort.

- At CECOM, the Resource Manager has developed and conducted, both locally and off-site, a comprehensive fiscal law course which they offer to financial experts and non experts alike. The course of instruction uses the Judge Advocate General fiscal law textbook and makes it relevant to the AMC experience through examples and case studies. This course is particularly valuable and timely, not only for training acquisition personnel and new IMPAC cardholders but also in view of the new DOD requirement for prerequisite fiscal law training for Anti-deficiency Act violation investigating officers. CECOM conducts the course primarily for CECOM employees, but also opens it to other AMC subordinate commands and to HQ, AMC.

- Command Contracting developed a "User's Guide for the GSA SMARTPAY Purchase Card Program", to assist purchase card holders and billing officials to apply the myriad of purchase card rules and regulations to AMC Purchases. The User's Guide includes a checklist required for all billing officials to complete and submit to Command Contracting every October indicating the internal controls used during the fiscal year (FY).

- Statistics for FY05 - Total personnel trained: 7,174

    a. Classroom Presentations: 1,187

    b. Desk-side Briefings: 318

    c. Telephonic Briefings: 206

    d. Video-teleconferences: 93

    e. Local MCP Conference: 1

    f. Training videos: 759

    g. Training CDs: 215

    h. Web-based Training: 2,760

    i. Electronic Briefing Charts: 1,543

    j. Army MCP Conference: 4

       k. Army MCA Course (USDA) Course: 4

       l. Sustaining Base Leadership & Mgt: 47

       m. Professional Resource Mgt Course (Syracuse): 3

       n. Professional Military Comptroller School (Air Univ): 1

       o. Army Comptroller Course (Syracuse Univ): 15

       p. Garrison Commander Course: 1

       q. Professional Development Institute (ASMC): 17

EXECUTION OF MANAGEMENT CONTROLS:

HEADQUARTERS:

- The U.S. Army Audit Agency conducted a review of the Command-wide MCP. The U.S. Army Audit Agency (USAAA) found that there was an effective MCP in place and issued a no finding and recommendations report. Enhancements to the process were suggested and corrections have been made.

- AMC Management Control Administrators (MCAs) distributed guidance, established individual five-year management control plans, scheduled required evaluations for completion and required feeder statements from subordinate commands/activities.

- The G-5 published a weekly email, Eye on AMC, to provide concise information about a wide range of subjects, to include messages from senior leaders and members of the workforce engaged in critical missions. Also, they produced a weekly five-minute news show, AMC News Dispatch, provided via video streaming to each headquarters and on the Internet for public dissemination and viewing increased our ability to reach a broad audience using existing technologies and talent. With respect to public outreach G-5 coordinated a comprehensive display to engage the public in AMC's mission.

- The AMC Agency Program Coordinator (APC) continued to rank as best in terms of U.S. Government Travel Card (GTC) Program delinquency rate. AMC GTC delinquencies have dropped below 2% (Army Goal: 4%) as AMC continued its zero tolerance policy for delinquencies. AMC provided HQDA a "Best Practices" model for presentation at the 4th annual GSA Smart Pay Conference. Additionally, all G-8 personnel have been required to complete the web-based training "Upholding the Integrity of the Charge Card Program."

EXECUTION OF MANAGEMENT CONTROLS:

HEADQUARTERS:

- AMC has re-established methods and standards programs at all five maintenance depots. These programs have been incorporated into the LEAN initiative to study workflow, propose process improvements, and document the validity of cost and time saved. Additionally, AMC conducts a weekly production review with the Major Subordinate Commands and their subordinate industrial installations.

- Command Counsel conducted a staff review of two AMC legal offices to ensure accomplishment of the legal mission by providing direct assistance to MSCs with the resolution of organizational, management, and technical legal issues.

- AMC initiated several actions to improve the performance within the financial management arena. One of these initiatives has been the continual strengthening of the Joint Reconciliation Program within AMC. Accomplished under a contract with CACI, Inc the data collection and presentation for this project is fully automated and has reduced the formerly labor intensive effort involved in keying data into spreadsheets and creating charts, from several days to a matter of minutes, to produce the output products.

- AMC has collaborated with the U.S. Government Department of Defense Travel System (DTS) Program Management Office and HQDA to begin DTS fielding throughout AMC. The DTS not only streamlines travel processing but also provides a singular budget and accounting reporting mechanism for Command stewardship of scarce travel resources. DTS is the first USG business application to include the use of the state-of-the-art Common Access Card (CAC) Public Key Infrastructure. DTS and CAC/PKI revolutionize the AMC travel business practice by automating internal controls and travel processing to the level consistent with effective management control of the GTC Program, while significantly reducing travel delinquencies.

- In 1995 HQDA selected Army Workload Performance System (AWPS) as the Army's system for capturing workload and labor data. The purpose of AWPS is to analyze rightsizing/downsizing, overhead management requirements, human resource planning, and workload management. We have deployed AWPS to all the Government-Owned/Government Operated maintenance depots and ordnance (ammo mission) installations for the performance measure and control module, the workload forecasting module, the AWPS base operations module and the AWPS Next Generation module. In July 2003, we fully deployed the Net Operating Result module and the Maintenance Materiel Tool. In addition, over the past year we developed an AWPS/Logistics Modernization Program (LMP) interface, which will soon become operational.

EXECUTION OF MANAGEMENT CONTROLS:

HEADQUARTERS:

- The Chief Financial Officer's (CFO) Act Implementation and Strategic Plan is a DA initiative developed to comply with the CFO Act by obtaining a clean audit opinion on DA annual financial statements. The HQDA re-energized the CFO Strategic Plan in FY02: establishing a program management cell to actively manage the Army CFO Strategic Plan, including all OSD staff components in the CFO process; establishing a Help Desk and providing accounting assistance; and personally engaging the ASA (FM&C) in the quarterly CFO In-Process Reviews (IPRs). The milestone date to achieve an opinion is now FY07 and the date to achieve an unqualified opinion is FY10. As part of the re-energizing process, HQDA re-focused direction to identify and complete noncompliant tasks. The HQDA removed, completed, cancelled and merged tasks from the list of open tasks. The majority of AMC's open tasks relate to financial or feeder systems, many of which we are replacing with the LMP system. Successful implementation of LMP is contingent on OSD Comptroller certification of the success of stabilization activities and will effectively complete AMC's CFO compliance responsibilities.

- In FY04, AMC increased efforts to assure the preparation and validation of credible estimates for the Program, Planning Budget and Execution estimates in accordance with AMC-R 37-4. These efforts enhance documentation and definition of total program requirements, funded and unfunded. We also provided the MSC Cost Analysis offices significant cost validation and estimation assignments for AMC projects. Finally, we held economic analyses to higher, more rigorous standards for approval, to include proper and complete documentation, alternative analyses, beneficial payback results and validation reviews. These internal controls activities are intended to continue into future years.

- Conducted surveillance and reported semi-annually to HQDA on the local purchase card program, to include:

    - Identification of fraudulent and/or questionable purchased card transactions and corrective action.

    - Billing official accounts where the ratio of cardholders to billing officials exceeds DOD standards and local program administrators where the number of purchase accounts exceeds DOD's standards.

    - Inactive cardholder accounts and delinquent payments to US Bank.

- Conducted surveillance and reported quarterly on billing official accounts which are paid manually instead of by electronic data interchange to the bank.

EXECUTION OF MANAGEMENT CONTROLS – (CONTINUED):

HEADQUARTERS:

- Conducted scheduled inspections of functional areas of Special Access Program/Security Assistance Visit activities to assess compliance with applicable laws and regulations, to include ensuring formal management controls are in place and operating as intended.

- Tracked all Contract Advisory and Assistant Services actions using the database established in FY01, performed reviews of all requests for services, and obtained command approval for high dollar actions.

- Scheduled a review of the purchase card program AMC-wide in the Commander approved FY05 Internal Review Plan. This review is on-going and will provide an assessment of the management controls in place and management of the program.

- Use of several communication initiatives, to improve overall operations, such as staff meetings, Town Hall meetings, brown bag lunches, organizational distribution of weekly staff summaries, an anonymous suggestion box, weekly updates, and weekly Commander Staff Calls.

- Used automation technologies including VTC capabilities, which increased communication with the field and other commands in multiple areas, to include, media relations, industry outreach, Congressional liaison areas, quarterly Army meetings on Management Control Issues, and operational updates.

- Established a Corporate Review Process with the G-1, G-3 and G-8 to determine Military Construction-Army requirements for each of the MSCs to ensure pertinence to mission requirements and prioritization.

- AMC provides management oversight of the production performed outside the industrial base through semi-annual production reviews. In addition, monthly metrics are provided to both the AMC community and the sources of repair providing the service. These reviews bring together the AMC item manager community with the responsible sources of repair (i.e. Directorate of Logistics on Army installations). These reviews focus on production issues such as repair parts availability, unserviceable return rates and changes in production lines to support the warfighter. In addition, HQAMC provides to the department an annual price and credit table. In order to deliver this product HQAMC performs several reviews throughout the year with the subordinate commands to identify changes in cost and to properly categorize these changes. Successful categorization of changes in cost allows the department to defend our requirements to OSD and allows for our subordinate commands to receive full funding in support of our repair programs.

EXECUTION OF MANAGEMENT CONTROLS – (CONTINUED):

HEADQUARTERS:

- AMC provides management oversight of the production in the industrial base by conducting a series of production reviews throughout the year. Each week, HQAMC CG, DCG, EDCG and/or G3 chairs a production review highlighting the Life Cycle Management Command and one of the industrial facilities (5 maintenance depots, 1 multifunctional depot, 3 arsenals, 3 ammunition activities (several subordinates). These reviews focus on production issues and resolutions and reviews workforce balance. In addition to these weekly reviews, three times a year, the entire organic industrial community is engaged in a Program Review chaired by the DCG of AMC. These Program Reviews also review production, but in addition, reviews the financial management of the industrial facilities. In addition, HQAMC Level 1 SRS scorecard has two key metrics for depot maintenance performance which are provided monthly - cost and schedule performance.

MAJOR SUBORDINATE COMMANDS:

- Internal Review and Audit Compliance Offices validated corrective actions on material weaknesses and recommend closure. In addition, they assessed whether effective management controls are in place, and made recommendations on establishing controls, where needed.

- Assessable Unit Managers were designated at major subordinate commands.
  There is a Management Control Process in place with a hierarchical configuration of AUMs appointed from the top level to internal levels within each assessable unit. The AUMs are held accountable for compliance and ensuring assets are safeguarded against waste, loss, unauthorized use, or misappropriation.

- Principal Staff Offices included the use of various alternative evaluation processes in addition to the use of standardized checklists. Many organizations also completed internal checklists on administrative issues within their individual offices, which are not reflected in the five-year plan.

- Internal Review Offices used an audit database to identify and track actions to correct all audit and inspection findings. While higher headquarters elements (AMC/HQDA) are responsible for corrective actions on a number of the audit findings, the database provides an excellent tool for monitoring weaknesses.

- The IG instituted quarterly video teleconferences with MSC Inspector General Offices to improve communications and information sharing. Also, instituted one-day mandatory on-site orientation for new MSC IGs with HQ, AMC IG in conjunction with the MSC IGs attendance at the 3-week IG School.

MAJOR SUBORDINATE COMMANDS (CONTINUED):

- Management Control Administrators (MCAs) and unit points of contact attended audit conferences and reviewed audit reports to determine if findings relate to management control shortcomings.

- The G-8 required Agency Program Coordinators to conduct a 100% review of the Government Travel Charge Card transaction and delinquency reports on a monthly basis. Cardholders are constantly reminded to file their vouchers timely and to use split-disbursement. Suspected abuse/delinquencies were brought to the attention of the cardholders and appropriate managers.

- Internal Review Offices circulated potential findings from GAO, USAAA, and DOD Inspector General. Reports were circulated to the appropriate personnel across the Command. In addition, Early Bird News articles, IT Newsletters, Government Computer News articles, Government Executive, E-week Newsletters and more were scanned daily for relevance to AMC missions.

MANAGEMENT CONTROL PROGRAM AND
RELATED ACCOMPLISHMENTS

TAB A-3

FY 05 - ACCOMPLISHMENTS (HQ, AMC):

Deputy Chief of Staff for Intelligence – G-2:

1. SPECIAL ACCESS PROGRAMS.

Description of the Issue: Ensured all AMC managed Special Access Programs (SAPs) were subject to an AMC annual revalidation review in conjunction with the HQDA Special Access Program Oversight Committee (SAPOC) process.

Accomplishments:

- Reestablished the SAPSAT to visit and assist subordinate organizations in preparation for DAIG Inspection visits.

- Established weekly coordination with HQDA Technology Management Office (TMO) to track Working Fix-It Open Findings.

- Participated as members of the Army Special Access Program Security Working Group to develop recommendations and working solutions to Army and DOD SAP security and management issues.

- Established weekly Video Teleconferencing (VTC) meetings with Major Subordinate Commands to discuss/hold strategy sessions to aid in correcting deficiencies identified during DAIG inspections.

- Developed a draft Standard Operating Procedure for SAP Oversight of PEOs and those organizations newly realigned under AMC Life Cycle Management Command (LCMC) concept.

- Participated in all quarterly DA Working Fix-Its and Working Special Access Programs Oversight Committee (SAPOC) meetings.

Public Communications – G-5:

1. USING STRATEGIC READINESS SYSTEM (SRS).

Description of Issue: Internal Review support using Strategic Readiness System (SRS).

Accomplishments:

- In addition to leadership being fully engaged in daily oversight of operations, the G-5 basic scorecard, as part of the implementation of the Strategic Readiness System (SRS) has contributed to the overall management of this G-staff element.

TAB A-3

Public Communications – G-5 (Continued):

- Recent adjustments to the scorecard and its emphasis on leading indicators reflects the practical application of this tool to assist the Chief, G-5 in determining the effectiveness of strategic communications plans. It helps clarify the G-5 contributions to the Army, and AMC Strategic Plan by orienting staff actions toward achieving the Army's strategic goals.

Deputy Chief of Staff for Corporate Information – G-6:

1. OFFICIAL PUBLICATIONS.

Description of Issue: Realized that the G-6 official documents were in need of update due to operational change upon relocation to Ft.Belvoir.

Accomplishments:

- Reviewed all official publications for validity and removed out-of-date publications form the AMC Web page.

- Assigned responsibility to individuals as proponent for each official publication.

- Published revised regulations as appropriate.

2. LEAN/SIX SIGMA EVENT.

Description of the Issue: Embraced the principle that the HQ, AMC G-6 could become more efficient with selected operational paradigms undergoing a LEAN/Six Sigma event.

Accomplishments:

- Assigned the program responsibility to a single division for oversight and tracking.

- Identified several operational issues for LEAN events.

- Added LEAN professional development to the G-6 list of mandatory training and quarterly goals and objectives metric reporting.

Deputy Chief of Staff for Resource Management – G-8:

1. U.S. GOVERNMENT PURCHASE CARD (GPC).

Description of the Issue: The GPC delinquencies are a problem throughout the Army and receive a great deal of Congressional and media scrutiny.

Accomplishments:

- HQ, AMC collaborates with the Office of Command Contracting to identify GPC delinquencies throughout AMC, as well as respond to various internal/external audit inquiries regarding the GPC Program.

- During FY 05 HQ, AMC virtually eliminated GPC delinquencies and used the Purchase Card Management System (PCMS) and Customer Automation and Reporting Environment (C.A.R.E.) reporting mechanisms to avoid instances of GPC fraud.

Command Counsel:

1. PROBLEMS WITH BID PROTEST.

Description of the Issue: Slow resolution of problems involving Bid Protest, resulting in delays to procurement of critical material and services.

Accomplishments:

- Developed AMC Agency Protest System to identify problems rapidly and resolve issues, alleviating the need for litigation and associated delays in procurement.

2. PURCHASE CARD HOLDERS AND BILLING OFFICIALS.

Description of the Issue: Ensuring all HQ, AMC Purchase Card Holders and Billing Officials complete training.

Accomplishments:

- AMCCP-P notifies all HQ, AMC purchase card holders and billing officials that they must complete agency purchase card training through Fort Belvoir's Contracting Office as well as the DOD on-line course and present certificates of training to AMCCP-P.

- Before a new purchase card accounts can be established, proof of training must be provided, thus ensuring 100% of new cardholders and billing officials are trained.

- AMCCP-P also requires billing officials and cardholders to complete DOD's refresher training bi-annually.

MANAGEMENT CONTROL PROGRAM AND RELATED ACCOMPLISHMENTS (FIELD):

U.S. Army Field Support Command (AFSC):

1. <u>STANDUP - THE NEW ARMY FIELD SUPPORT BRIGADE EUROPE (AFSB-E)</u>.

<u>Description of Issue:</u> Effective 1 October 2004, the AFSB-E came into existence. In a formal ceremony on 17 November 2004, Commander AMC and Commander AFSC attended the activation ceremony for AFSB-E.

<u>Accomplishments:</u>

- Strengthened the logistics capabilities within the European Theater to better support the war fighter.

- Integrated elements CEG-E and AMC Afloat (Hythe) as Battalions under the Brigade: Engelshoven, Livorno, Luxembourg, and Hythe.

- Centralized logistics capabilities under one Brigade umbrella, thereby ensuring a stronger management control system and process controls are in place to prevent fraud, waste, abuse and/or misuse of Government assets.

U.S. Army Aviation and Missile Life Cycle Management Command (AMCOM):

1. <u>TRANSPORT AND RETRIEVAL OF CRITICAL SPARE PARTS</u>.

<u>Description of Issue:</u> AMCOM, Integrated Materiel Management Center (IMMC), needed a way to quickly transport and retrieve critical spare parts and retrograde parts to and from Iraq.

<u>Accomplishments:</u> The IMMC initiative (AMCOM Express) focused on gathering and palletizing aviation spares from Red River and Corpus Christi, staging them at Corpus and lading them on a dedicated C-17 flying directly to Iraq.

- Critical spares are unloaded in Iraq and the plane returns to Corpus two days later loaded with critical retrograde parts. First flight took place in October 2004.

- AMCOM Express has ensured deployed aviation Soldiers get critical aviation parts rapidly to sustain readiness.

- An added incentive is that the initiative saves the Army almost $75,000 in transportation costs per flight.

U.S. Army Aviation and Missile Life Cycle Management Command (AMCOM) – CONT:

2. SEAMLESS GO-TO-WAR CAPABILITY.

Description of Issue: AMCOM, Integrated Materiel Management Center (IMMC), needed to provide a seamless Go-To-War capability to the Soldiers in the field.

Accomplishments:

- Establish Soldier Focused Life-Cycle Management (SLF) Weapons. The SFL is an organizational and management transformation for Weapons System Management.

- The SFL concept is a joint venture between PEO/PM and AMCOM, and is targeted at significant improvements in Readiness and Go-To-War capability for each weapon system.

- The pilot program for the SFL was activated on 31 March 2004 for the CH-47 Chinook Cargo Helicopter. Other AMCOM-managed weapon systems will make this transition over the next two years.

U.S. Communications-Electronics Life Cycle Management Command (CECOM):

1. MANAGEMENT CONTROL PROCESS (MCP) SPLASH PAGE.

Description of the Issue: The Deputy Chief of Staff for Resource Management (DCSRM), Operations Team designed a MCP "Splash" page found under the Special Features section of the Knowledge Center (KC) last year. This page contains a myriad of information and training useful to all Government employees. In 2005, DCSRM continued to improve the MCP plan based on the implementation of the Communication-Electronic Life Cycle Management Command.

Accomplishments:

- PEO C3T and PEO IEW&S accessed the "Splash" page.

- The "Splash" page has constantly being updated with new Management Control Process (MCP) information and news.

U.S. Communications-Electronics Life Cycle Management Command (CECOM) -CONT:

2. <u>COMPUTER PROGRAM USED BY CECOM ARMY TRANSFORMATION CELL (CATC) TO TRACK UNIT EQUIPMENT IN THE FORSCOM/III CORPS RESET AND RECONSTITUTION PROGRAMS</u>.

<u>Description of the Issue:</u>   CECOM Army Transformation Cell (CATC) received numerous requests to change the format and templates of the Equipment Management Tool, part of the Digital Training Management System, used to track unit equipment as it progresses through the FORSCOM/III Corps Reset/Reconstitution program.

<u>Accomplishments:</u>

- Headquarters III Corps previously provided specific guidance to establish the format and templates; however, they allowed users to make 36 changes that were implemented, causing delays in finalization of the end product.
- Placed strong emphasis on development and final approval of the user product before beginning to use it in the field, for follow-on units.
- Developed a "Lessons Learned" log that identified specific problems in development of the program and placed special emphasis on identification and implementation of approved changes early on to preclude loss of time and effort later.
- New procedures have been implemented and current preparations to receive new data for follow-on units (1CD and III Corps units) are well under way. We anticipate having only minimal changes after the new program begins.

3. <u>CATC DIGITAL TRAINING MANAGEMENT SYSTEM (DTMS) SERVERS</u>.

<u>Description of the Issue:</u> Vulnerability of CATC Digital Training Management System (DTMS) to power surges became an issue when a lightning storm destroyed two of the Ft. Hood network switches causing an interruption of service provided by CATC DTMS.

<u>Accomplishments:</u>

- CATC analyzed the situation and found that although we did not lose any data or hardware/software, we were vulnerable to such a loss if a lightning strike should ever hit power lines that serve the facility.

- CATC looked at all our capabilities and found that we had sufficient assets available and were able to migrate vulnerabilities by reallocating resources.

- CATC implemented new procedures to ensure all vital communication assets were placed on an uninterrupted power supply (UPS) and surge protector and continues to evaluate this possible need for additional UPS's and surge protectors.

U.S. Communications-Electronics Life Cycle Management Command (CECOM) - CONT:

4. <u>MANAGEMENT CONTROL PROCESS (MCP) AWARD</u>.

<u>Description of the Issue:</u> The Deputy Chief of Staff for Resource Management (DCSRM), Operations Team, continues to recognize employees for their significant contributions to MCP. The DCSRM established the annual MCP award for CECOM employees who have contributed significantly to the improvement of the MCP during the last MCP cycle. The award recipients will receive a Department of the Army Certificate of Achievement and a $500 on-the-spot cash award funded by the nominating activity.

<u>Accomplishments:</u>

- This is the second year for the MCP award program as it continues to motivate all organizations to strive for excellence.

U.S. Research Development and Engineering Command (RDECOM):

1. <u>AUTOMATED MANAGEMENT CONTROLS REPORTING TOOL (MCRT)</u>.

<u>Description of Issue:</u> Requirement for maximum RDECOM Management Controls oversight.

<u>Accomplishments:</u>

- Continued to enhance the RDECOM developed automated Management Controls Reporting Tool (MCRT) to capture Command-level and assessable units' five-year inventories of scheduled evaluations, and real-time evaluation results with DA Forms 11-2-R automatically generated.

- Included a repository in the MCRT for assessable units' and Command's annual statements and the Assessable Unit Managers' appointment memoranda to be uploaded and viewed.

- Other enhancements submitted and pending implementation: an automated training documentation repository; use of digital signature for the DA Form 11-2-R; capability to select more than one year, but not all years under the Master Inventory report; a data sheet copy and paste capability; authorization access control down to directorate level; repository of inventory broken down to directorate level within the assessable units.

- Provided Video Tele-Conference (VTC) demonstrations of the MCRT to representatives from OSD, HQDA, ASAFM, USAAA, CIO (G-6), Resource Management (G-8), and HQ, AMC IRAC based on HQ AMC MCA's request. Also provided a desk-side session for the DA G-6 representative after the initial VTC. Received positive comments and interest in the automated tool. Based on feedback, RDECOM's automated MCRT is the only automated MC reporting tool within the Army.

U.S. Research Development and Engineering Command (RDECOM)) - CONT:

- Shared the automated RDECOM MCRT with other organizations (Chemical Materiels Agency, Aberdeen Proving Ground Garrison/IMA, and the 20th Support Command - these organizations used the tool when they were under this Command, and elected to continue using the tool). All RDECOM co-located Centers/assessable units use the automated MC reporting tool as do CMA's co-located sites.

- Shared the features of the RDECOM automated MC reporting tool with a class that attended the DA Graduate School Management Controls Administrator's Course at this site in May 2004. Received positive feedback from both the instructor and the class attendees from other Major Subordinate Commands (MSC) and/or Major Commands (MACOM).

2. INTRANET MC WEBSITE.

Description of Issue: Requirement for Central repository of references supporting RDECOM MC Process.

Accomplishments:

- Maintain an RDECOM MC web page to assist AUMs/MCAs with the overall MC process requirements. The RDECOM web page includes links to the MC governing documents, other applicable GAO/DA/AMC web sites, training presentations, our locally developed process diagram, desk guide, policy, action plan, annual statements, higher headquarters' identified systemic weakness areas, our MCRT, and other related material.

- Developed an AUM tri-fold quick-reference guide which highlights AUMs' "daily operational factors" and the GAO Standards for Internal Controls. It provides a list of process tools available at our RDECOM MC web page outlines the Commander's MC Philosophy, lists the governing publications, and the products of the MC process. This was distributed by the RDECOM Senior Responsible Official (SRO) to all AUMs and by the RDECOM primary MCA to all MCAs.

3. INCREASED FOCUS ON INFORMATION AWARENESS AND ENFORCEMENT.

Description of Issue: Requirement to increase information assurance vulnerability alerts (IAVA) awareness and enforcement.

Accomplishments:

- Information assurance was a special emphasis area this year. Directorate desktops are scanned on a regular basis using the IAVA approved scanner. New machines are patched with the latest IAVA patches and scanned before being connected to the network.

U.S. Research Development and Engineering Command (RDECOM) - CONT:

- Information assurance awareness videos are displayed at login for each HQ RDECOM employees' computers. This provides each individual an ongoing education and keen awareness of mandatory security policies and procedures. In addition, mandatory Information Assurance training is on the RDECOM intranet web site (customized version of Ft. Gordon training).

- Procedures were put in place to ensure the appropriate, consistent and swift enforcement of RDECOM Information Assurance policies. Several HQ RDECOM users who had violated IA policy by installing and using unauthorized software had their accounts suspended until the unauthorized software was removed and the user's supervisor indicated that appropriate measures were taken and requested the account be restored. There have been very few repeat offenders and the rate of poor security practices has been dramatically reduced.

U.S. Army Tank-Automotive and Armaments Life Cycle Management Command (TACOM)

1. ADOPTION OF LEAN SIX SIGMA TECHNIQUES.

Description of the Issue: Many processes across all DOD organizations could be improved in terms of faster cycle times, increased mission effectiveness, and cost savings to be returned for higher priorities. TACOM has adopted Lean Six Sigma as a technique to review business processes, identify/reduce waste and improve not only critical processes found in the MCP inventory, but all processes identified by management.

Accomplishments:

- TACOM currently has 128 Green Belt Candidates with 29 Green Belt Projects initiated, and 60 Black Belt Candidates with 36 Black Belt Projects initiated.

- Most projects are not completed yet; benefits have not been fully measured.

2. ARMY ARMOR CENTER'S M1 TANK MAINTENANCE.

Description of the Issue: The objective of this Lean Six Sigma initiative was to fulfill training base customer equipment requirements for M1 equipment for the US Army Center and Fort Knox training base within current manpower and budget levels.

Accomplishment:

- Completion of this project in early FY05 resulted in a 70% increase in the number of M1 tanks serviced on time.

- The service backlog was reduced from 80 to 0 tanks.

U.S. Army Tank-Automotive and Armaments Life Cycle Management Command (TACOM) – CONT:

- Controls were established to maintain gains achieved, including visual management controls, standard work, and mistake-proofed processes.

3. ROCK ISLAND ARGENAL (RIA) REESTABLISHED PRODUCTION OF THE M119 HOWITZER.

Description of the Issue: The Rock Island Arsenal (RIA) will begin manufacturing the M119 again, 10 years after it went out of production. Skills have been lost due to attrition and reduction in force. Machines have been sold or placed in a Lay-Away In Place Program. The objective of this project is to restore the production facility while improving lead time and reducing defects.

Accomplishments:

- This Design for Six Sigma opportunity has a great potential to improve lead times, reduce defect rates and product costs to assure overall success of new production to meet and exceed customer satisfaction.

- An estimated cost savings of $16,500,000 with a project cost of $752,000 should yield a 22 to 1 return on investment.

RED RIVER ARMY DEPOT (RRAD) IMPROVED TRACKED VEHICLE MAINTENANCE.

Description of the Issue: The objective of this project is to decrease travel time, transportation and rework associated with track and road wheel rebuild programs for the Bradley, MRLS and Abrams vehicles at the Red River Army Depot.

Accomplishments:

- By converting repair and assembly processes from batch to one-piece flow, lead times from broke to fixed were reduced by 15 to 40 percent.

- Goals for FY05 are to further improve the process by reducing Work in Process levels by 10%.

5. ROCK ISLAND ARGENAL (RIA) INCREADED PRODUCTION RATES FOR FORWARD REPAIR SYSTEM.

Description of the Issue: The RIA initiated this project in preparation for expected ramp up in production.

U.S. Army Tank-Automotive and Armaments Life Cycle Management Command (TACOM) – CONT:

Accomplishments:

- Production increased from 4 to 21 units per month.

- Delivery was improved by 40%, Productivity was improved by 20%, and Lead Time was decreased by 40%.

6. ANNISTON ARMY DEPOT (ANAD) LEAN IMPLEMENTATION ON THE M88 ASSEMBLY LINE.

Description of Issue: Lean implementation to improve proficiency and increase production on the M88 assembly line.

Accomplishments:

- Increased production from eight vehicles a month to twelve vehicles a month.

- Installed open parts' bins on each assembly line cell, allowing parts to be more accessible to the mechanics and allowing visual concept for restocking to parts keepers.

- Super market and lanes established to allow for conversion to pull system.

- Implementation of LEAN concepts has increased insight and acceptance of employees previously reluctant to change.

7. ANAD's MAINTENANCE/SUPPORT OF GOVERNMENT-OWNED EQUIPMENT.

Description of Issue: Lean project included Value Stream Analysis for equipment support.

Accomplishments:

- Aimed to improve maintenance and preventive maintenance of production equipment at ANAD.

- Will have direct impact on equipment support by reducing the breakdown of equipment and increasing its useful life.

U.S. Army Tank-Automotive and Armaments Life Cycle Management Command (TACOM) – CONT:

8. <u>G-3 ENTERPRISE EXCELLENCE RESOURCE TOOL (EERT).</u>

<u>Description of the Issue:</u>   The TACOM G-3 Enterprise Excellence Group created a database for tracking Lean/Six Sigma projects.

<u>Accomplishments:</u>

- The database was created for a pilot program, to evaluate needs and capabilities and aid in the selection of a Commercial Off-The-Shelf (COTS) database and Lean/Six Sigma management tools.

- The database currently tracks Lean/Six Sigma projects; however, it is maintained by and can only be accessed by TACOM G-3.

- The final product will combine the database with a document management system, project management tools, and other utilities useful for managing the Lean/Six Sigma program. The final product will be web-based and accessible throughout the Life Cycle Management Command (LCMC).

AMC MATERIAL WEAKNESSES

TAB B

MW NUMBER	TITLE	PROPONENT
Newly Reported - FY 05		
USAMC-05-001	Policies Governing the Implementation of Unique Item Identification (UII) Technology	G-3, DCS OPS
USAMC-05-002	Sustainment Support for Rapid Equipping Force (REF/ Commercial Off-The-Shelf Equipment (COTS)	G-3, DCS OPS
USAMC-05-003	Army Prepositioned Stocks (APS) Equipment Readiness Deficiencies	G-3, DCS OPS
Prior Years		
USAMC-04-003	Unreliability of Financial Data in Logistics Modernization Program (LMP)	G-8, DCS RM
USAMC-04-002	Policies Governing the Use of Passive Radio Frequency Identification (RFID) and Automatic Identification Technology (AIT) – **New title**	G-3, DCS OPS
USAMC-04-001	Lack of Sufficient Indicators to Foresee an Over Obligation in Cash Flow Environment and Ensure Corrective Actions are Taken	G-8, DCS RM
USAMC-03-004	Commodity Command Standard System (CCSS) And Standard Depot System (SDS) Obsolescence	G-3, DCS OPS
USAMC-03-003	Lack of Accountability for Class IX Materiel in Theater	G-3, DCS OPS
USAMC-03-001	Senior Executive Service (SES) Recruitment Process	G-1, DCS PER
USAMC-02-003	Civilian Personnel System	G-1, DCS PER
USAMC-01-010	Army Working Capital Fund (AWCF) Repair Parts (Class IX)	G-3, GCS OPS
USAMC-01-009	Lack of Physical Security, Law Enforcement, and Force Protection Equipment and Materiel	G-3, DCS OPS
USAMC-01-008	Law Enforcement and Security Operations	G3, DCS OPS
USAMC-01-005	Industrial Base (IB) Management, Analysis, and Planning	G3, DCS OPS

TAB B-1

AMC UNCORRECTED MATERIAL WEAKNESSES – **8**

MW NUMBER	TITLE	PROPONENT

Newly Reported - FY 05

USAMC-05-001	Policies Governing the Implementation of Unique Item Identification (UII) Technology	G-3, DCS OPS
USAMC-05-002	Sustainment Support for Rapid Equipping Force (REF)/Commercial Off-The-Shelf Equipment (COTS)	G-3, DCS OPS
USAMC-05-003	Army Prepositioned Stocks (APS) Equipment Readiness Deficiencies	G-3, DCS OPS

Prior Years

USAMC-04-003	Unreliability of Financial Data in Logistics Modernization Program (LMP)	G-8, DCS RM
USAMC-03-004	Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Obsolescence	G-3, DCS OPS
USAMC-01-009	Lack of Physical Security, Law Enforcement, and Force Protection Equipment and Materiel	G-3, DCS OPS
USAMC-01-008	Law Enforcement and Security Operations	G3, DCS OPS
USAMC-01-005	Industrial Base (IB) Management, Analysis, and Planning	G3, DCS OPS

TAB B-2

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-05-001

Title and Description of Material Weakness: Policies Governing the Implementation of Unique Item Identification (UII) Technology

Implementation of Unique Identification (UID) in DOD is a described as a strategic imperative, necessary to consistently locate, control and value assets anywhere and anytime. The goals of UID are to: Achieve lower life cycle cost of item management Improve operational readiness Capitalize on leading practices and embrace open standards Improve life cycle property management Provide financial accountability of property and asset visibility throughout the life cycle Reduce burden on workforce through increased productivity and efficiency

Unique Item Identification (UII) is machine readable (and normally human readable) information that is to be marked upon specified items of Army property to identify the individual item as globally unique throughout its life cycle. Marking, verifying, capturing and utilizing the UII within requisite Automated Information Systems (AIS) involve the use of Automatic Identification Technology (AIT) enablers which facilitate data capture, aggregation, transfer, and transmission within the Army enterprise. Although AIT plans that include UID/UII have been developed at the DOD and DA levels, policies for UID are still evolving. These draft policies and already existing procurement guidance from DOD are not in sync. The latest DOD UID policy was published 23 December 2004, one day after the Assistant Secretary of the Army for Acquisition, Logistics and Technology (ASA (ALT)) issued its guidance memorandum for development of UID implementation plans. Overarching Army UID Policy is under revision as is the Draft Army UID Strategy for UID (February 2005). AMC G-3 Enterprise Integration (EI) has a representative on the Army UID Working Group and is working with Army G-4, Program Manager Joint AIT (PM J-AIT) and DOD to develop an AMC UID Implementation Plan.

UID is an unfunded mandate by DOD. As written, the DOD UID policy timelines are unrealistic. There are significant issues with funding, standardization and evolutionary stage of the technologies involved, AIT system modification timelines, technical engineering and modifications, user training, business process reengineering, and the scale of the legacy marking requirement. Legacy marking mission is an example of the unrealistic of the mandate. The requirement is that by 31 December 2010, the Army must mark all qualifying legacy items. An estimate is 38.5 million individual items would require marking. If sufficient marking equipment were already procured and installed, personnel trained and available, AIS processes modified and tested, equipment to be marked queued and available, and marking were to begin on 1 June 2005, the Army would have to mark 18,882 items a day to meet the 31 December 2010 deadline.

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-05-001

Final requirements need to be assessed based on the total investment required and the impact to both logistics and Army budgets. It is essential that further refinement, resource planning, return on investment, and technical coordination take place among DOD, the Services, the Assistant Secretary of the Army for Acquisition, Logistics and Technology, HQDA G4, and AMC to ensure we have a plan that (1) supports the War fighter (2) is integrated into the Logistics Enterprise, (3) is clear and executable, and (4) affordable.

Functional Category: UID Policies may affect all of the following functional areas: Acquisition, Finance, Product Lifecycle Management, Major Subordinate Command Maintenance Management, Supply Chain Planning, Sales and Distribution/Warehouse Management/Inventory Management, and Depot Operations

Pace of Corrective Action:

Year Identified: FY 2005

Original target date: N/A

 Targeted Date in Last Year's Report: N/A

Current Target Date: FY 2010 (date is contingent upon OSD/HQDA guidance)

Reason for change: N/A

Component/Appropriation: All appropriations, AWCF, OMA and APA.

Validation Process: Independent Review and Audit.

Source(s) Identifying Weakness: Management, AMC G-3, Enterprise Integration.

Major Milestones in Corrective Action:

A.   Completed Milestones:

Date:	Milestone:
Mar 00	DOD AIT Implementation Plan
Mar 01	DLA AIT Implementation Plan
Oct 01	Army AIT Implementation Plan
Mar 03	AMC AIT Implementation Plan
Dec 03	DOD UID of Tangible Items Policy
Apr 04	Army Draft UID Policy
May 04	DOD Draft UID Policy Update

UNCORRECTED MATERIAL WEAKNESS

<u>Major Milestones in Corrective Action:</u>

A.   Completed Milestone Dates: (continued)

Date:	Milestones:
Jun 04	AMC Evaluation and Analysis of DOD UID Policy
Jun 04	AMC Evaluation and Analysis of Army UID Policy
Jul 04	AMC AIT IPT
Jul 04	Draft AMC AIT IPT Charter
Jul 04	AMC AIT IPT
Sep 04	DOD Memorandum; Subject: Update to Policy for UID
Dec 04	DA ASA (ALT) Memo, Subject: Implementation of UID Policy
Dec 04	DOD Memo, Subject: Policy UID
Dec 04	Draft version 3.6, OSD UID CONOPS
1 Jan 05	DOD requires UID on vendor deliveries
Jan 05	AMC AIT IPT
Feb 05	OSD RFID Summit
Mar 05	UID DFARS Change
Mar 05	Draft Final Revised AMC AIT Implementation Plan
May 05	DOD UID Implementation Plan for Legacy Items

B. Planned Milestones: (Fiscal Year 2005):

Date:	Milestone:
Jun 05	ACAT 1D Programs submit UID Plans to DOD UID Office
Jun 05	Final AMC AIT Charter
Jul 05	IOC for UID Marking at Letterkenny AD

C. Planned Milestones: (Fiscal Year 2006 and beyond):

Date:	Milestone:
Jan 06	All Non-ACAT 1D Programs submit UID Plans to MDA
Jan 06	All GFE property must meet UID Policy requirements
FY07	FOC to mark UID at all Depots
FY07	All UID items entered in DOD UID Registry
FY08-FY09	Army Depots begin UID marking on manufactured items
31 Dec 10	All legacy items marked with UII

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-05-001

OSD or HQDA Action Required: DOD Functional Proponent Participating in Corrective Action: OADUSD (L&MR) MPP&R Mr. Steve Heilman staff element POC responsible for DOD UID Policy; HQDA Functional Proponent Participating in Corrective Action: HQ DA DALO-SMI (Mr. Ben Morgan) staff element POC responsible for HQDA UID Policy. AMC G-3, EI is coordinating with DOD, HQDA and DLA staffs with UID.

Note: HQ, AMC G-3, Enterprise Integration will continue to work with AMC MSCs, LAISO, LOGSA, and Army G-4, PM J-AIT and DOD to provide recommendations on evolving DOD/HQDA policies and regulations. In addition, HQ, AMC, G-3, Enterprise Integration is working closely with HQ AMC functional representatives, LAISO, LOGSA, and AMC MSCs to develop an AIT implementation plan, and policies and procedures that will incorporate RFID/UID into the Single Army Logistics Architecture. Results Indicator: Army Working Capital Fund (AWCF).

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UNCORRECTED MATERIAL WEAKNESS

Title and Description of Material Weakness: Sustainment Support for Rapid Equipping Force (REF)/Commercial Off-The-Shelf Equipment (COTS)

Army significantly increased usage of REF and COTS equipment resulting in an Army requirement for a holistic sustainment strategy to effectively and efficiently support Army forces.

Army Materiel Command (AMC) provided internal control structure to support the management of COTS and REF equipment through maintenance, property accountability, automation, and funding, as well as communicated to Army forces where and how to obtain support for COTS and REF equipment. Army forces at all levels are buying equipment from commercial vendors to support the Global War on Terrorism (GWOT). The military had no structure in place to identify REF/COTS equipment and account for equipment due to multiple names for the same piece of equipment bought by different units in different locations across the Army, Air Force, and Marine forces.   This is a major challenge for forces in terms of readiness and adequate funding to accomplish assigned mission.

Functional Category: Sustainment

Pace of Corrective Action:

   Year Identified: FY 2005

   Original Targeted Correction Date: N/A

   Targeted Correction Date in Last Year's Report: N/A

   Current Target Date: FY 2006

   Reason for Change in Date(s): N/A

Component/Appropriation: GWOT (OMA)

Validation Process: Independent review and audit (Quarterly Reviews)

Results Indicators: AMC coordinating with Department of the Army staff to formulate a sustainment strategy.

Source(s) Identifying Weakness: Management, Warfighters in theater.

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-05-002

Major Milestones in Corrective Action:

Completed Milestones:
Date: Milestones:
1Q05   Identified DA G4, ASA(ALT), and DA REF points of contact for coordination.
                    Established partnership with Marines in support Robotics equipment.
                    Identified REF/COTS equipment that required sustainment support.
                    Identified resources to support REF/COTS equipment.
                    Specified roles and responsibilities.
                    Identified existing structure to support REF/COTS equipment.
                    Developed courses of action for REF/COTS sustainment strategy.
                    Identified REF/COTS automation requirements.
                    Developed REF/COTS web page for wide partner communications.
                    Assigned roles and responsibilities to AMC LCMCs.
                    AMC LCMCs developed their REF/COTS sustainment strategy.
                    HQAMC and DA leadership approved REF/COTs sustainment strategy.
                    Developed REF/COTS OCONUS Standard Operating Procedures.
                    AMC LCMCs identified personnel support for REF/COTS located in Iraq
                    and Kuwait. Provided REF/COTS funding to LCMCs.

B. Planned Milestones FY 2005:
Date: Milestones:
30 Sep 05   Conduct meetings/briefings with LCMCs, DA staffs, and internal HQAMC staff.
                    Assess REF/COTS sustainment support for additional REF/COTS equipment.
                    Update and improve REF/COTS web page. Assess LCMCs roles and
                    responsibilities for changes to LCMCs REF/COTS items.
                    Identify funding source for additional REF/COTS equipment
                    HQAMC and DA senior leadership approved REF/COTS sustainment strategy.
                    Update HQAMC and DA senior leadership.
                    Update DA G4 SLAMIS with REF/COTS equipment.

C. Planned Milestones (Fiscal Year 2006 and beyond):
Date: Milestones:
30 Jun 06   Include REF/COTS sustainment support in POM.
                    Update REF/COTS sustainment support.
                    Update REF/COTS in DA G4 SLAMIS.

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-05-002

OSD or HQDA Action Required: DA G4 include REF/COTS equipment in SLAMIS for visibility. ASA(ALT) facilitate partnership between AMC and Project Managers.

Point of Contact:
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UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-05-003

Title and Description of Material Weakness: Army Prepositioned Stocks (APS) Equipment Readiness Deficiencies

The US Army Field Support Command (AFSC) is responsible for providing maintenance and repair at APS locations. AFSC has entered into contractual agreements with commercial contractors and service agreements with other military activities to provide required maintenance of APS equipment. AFSC provides funding to the AFSC component for maintenance. The AFSC component either awards a maintenance contract to a private contractor or enters into a service agreement with another military activity. AFSC may have paid for maintenance work that was either not performed or for which AFSC should have received reimbursement. As a result, in some cases APS equipment readiness levels are diminished and maintenance backlogs exist. Indications are the AFSC policy for centralized acceptance of customer's orders is not being followed by subordinate organizations. This policy requires that reimbursable orders be centrally accepted as AFSC HQs to control workload, safeguard AFSC resources, and to ensure that proper budgetary authority exists to perform against the order.

Functional Category: Manufacturing, Maintenance, and Repair; Force Readiness; Comptroller and/or Resource Management

Pace of Corrective Action:

       Year Identified: FY 2005

       Original Targeted Correction Date: N/A

       Targeted Correction Date in Last Year's Report: N/A

       Current Target Date: FY 2007

       Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Army

Validation Process: Independent review and audit.

Results Indicators: Verification that funded APS maintenance work is actually being completed satisfactorily.

Source(s) Identifying Weakness: GAO Audit

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-05-003

Major Milestones in Corrective Action:

A. Completed Milestones:
Date: Milestones:
December 2004   Identify maintenance and funding issues related to APS-4.

February 2005   Establish weekly reporting on status of APS-4 Brigade equipment and
                                management improvement initiatives.

May 2005   Facilitate AMC management of APS-4, MSC-K chops OPCON of APS-4
                                Support Division to AFSBN-FE thru 1 Mar 06.

B. Planned Milestones (Fiscal Year 2005):
Date: Milestones:
August 2005   Incorporate requirement for a monthly assessment of quality control at
                                each APS Site into AMC Supplement to AR 710-1, Chapter 6.

July/Sep 2005   AMC Inspector General conducts review of APS program.

30 Sep 2005   Fix APS-4 Brigade set to the Army's TM - 10/-20 standard.

C. Planned Milestones (Beyond Fiscal Year 2005):
Date: Milestones:
October 2005   AFSC develop a coordinated and approved Care of Supplies in Storage
                                (COSIS) plan for each APS site.

October 2005   AFSC enforce existing policy and implement a funds control and
                                validation process to track expenditures.

November 2005   Develop appropriate metrics and incorporate into the AFSC/TSCOM
                                Management Control Plan.

December 2005   Conduct review of annual maintenance plan for each APS site.

January 2006   HQ, AMC, G-3 establish a quarterly program for review and validation of
                                funds expenditure and accomplishment of annual maintenance production
                                plan.

OSD/HQDA Action Required: N/A

Point of Contact:
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UNCORRECTED PRIOR YEAR MATERIAL WEAKNESS

Local ID #: USAMC-04-003

Title and Description of Material Weakness: Unreliability of Financial Data in Logistics Modernization Program (LMP).

Conversion to Logistics Modernization Program (LMP) presents a serious challenge to the Defense resource community due to potential loss of financial situational awareness within the Army Materiel Command. Pilot site users continue to observe problems associated with duplicate postings not caught by the system, commingling of revenue numbers across fiscal years, overstatement of unfilled orders and unverifiable obligation data. Users are also unable to validate inventory numbers reported by LMP. Inventory numbers are overstated because of inadequate unit of issue/measure controls within the system. The cumulative effect of carrying over unverifiable inventory numbers has resulted in disclaimers on the AWCF end-of-year financial statements for two consecutive years and has called into question the soundness of key financial data which feeds into the Defense budget.

Functional Category: Finance/Resource Management

Pace of Corrective Action:

Year Identified: FY 2004

Original Targeted Correction Date: FY 2005

Targeted Correction Date in Last Year's Report: FY 2005

Current Target Date: FY 2006

Reason for Change in Date(s): The target dates for the 45-day Financial Operations Review and second site deployment have been postponed until early FY 06. The corrective actions cannot be properly evaluated until completion of the review in Dec 05.

Component/Appropriation/Account Number: All Appropriations/AWCF

Validation Process: Independent review and audit

Results Indicators: Successful completion of the Financial Operations Review. Following completion of this 45-day review, we will be in a better position to evaluate the effectiveness of system changes in LMP and reassess the reliability of LMP financial data.

Source(s) Identifying Weakness: Management

UNCORRECTED PRIOR YEAR MATERIAL WEAKNESS

Local ID #: USAMC-04-003

Major Milestones in Corrective Action:
A. Completed Milestones:

Date	Milestones
Aug 02	HQAMC developed the construct of Internal Work Performed to replace traditional inter-AWCF activity sales, thus permitting the logistics community to realize efficiencies in business process reengineering.
Mar 03	Stabilization Integration Plan approved
Sep 04	Together with DFAS, the G-8 is developing the financial changes required to adopt the One Company Code configuration of the ERP solution. The G-8 has already convinced HQDA and OSD(C) to accept these changes.
Mar 05	To evaluate the functionality of the LMP solution, the G-8 has built a solid team of DFAS, HQ, AMC, CECOM and TYAD senior leaders to focus on concerns of the financial community. This team is holding weekly IPRs to address data migration, interface, training, functionality and CFO compliance, while identifying areas that pose excessive financial risk and potential loss of financial situational awareness. PADDS and Financial data cleansing activities in process.

B. Planned Milestones (Fiscal Year 2005):

Date	Milestones
Aug 05	Federal Financial Management Improvement Act (FFMIA) Audit.
Nov-31 Dec 05	The 45-day Financial Operations Review which will test and evaluate system changes in LMP-scheduled to begin 1 Nov 05. Following completion of this review on 15 Dec, we will be in a better position to determine the reliability of LMP financial data and success of stabilization activities.
31 Mar 06	OSD Comptroller Certification.
30 Jun 06	IRACO, Internal Review will review completed milestones.

C. Planned Milestones (Beyond Fiscal Year 2006):

Date	Milestones
None.	

OSD or HQDA Action Required: N/A
Note: Date TBD for Second site deployment; second site deployment will start when the 45-day Financial Operations Review is completed and is determined reliable.

Point of Contact: Name: Mr. Steve Trimble HQAMC, ATTN: AMCRM-F9301 Chapek Road, Ft. Belvoir, VA 22060;   strimble@hgamc.army.milTelephone: Commercial (703) 806-8870 DSN: 656-8870

UNCORRECTED PRIOR YEAR MATERIAL WEAKNESS

Local ID #: USAMC-03-004

<u>Title and Description of Material Weakness</u>: Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Obsolescence

Army Wholesale Logistics is currently supported by an obsolete, inefficient automation system that lacks the dynamic, flexible responsiveness necessary to supporting the Army into the 21st Century.

The Army's current Wholesale Logistics systems are the Commodity Command Standard System (CCSS) and Standard Depot System (SDS). These thirty-year-old systems are based on outdated business practices, hardware, and software. These systems, written primarily in Common Business Oriented Language (COBOL) 74 code, have evolved into a complex, tightly integrated system that is difficult to maintain and adapt to changing needs. Though continuously modified and revised, these systems remain essentially batch-process oriented, card-image driven non-relational database structured, and user-unfriendly processes. This approach to information management renders CCSS and SDS incapable of supporting future Army objectives in the logistics area, such as total asset visibility, reducing inventory stock through supply chain management, and the Future Logistics Enterprise (FLE). In light of the current commercial environment of Commercial Best Business Practices and Commercial Off-the-Shelf (COTS) software that exemplifies an integrated enterprise dealing in real-time information and dynamic integrated processes managed by Enterprise Resource Planning (ERP) software, CCSS and SDS are woefully antiquated systems.

The Army will not be prepared for the future unless it completes an unprecedented transformation in how it supplies and sustains the total Army. It must conduct business process reengineering (BPR) that eliminates activities that do not add value and develop processes that expedite sound decision making, both on the battlefield and at home. To this end, the Logistics Modernization Program (LMP) was conceived in 1997 and created to ensure the Army's combat readiness by modernizing the Army's wholesale logistics processes through the implementation of Commercial Best Business Practices that includes an ERP solution. The LMP will purchase a service, not a system, to replace the Army's current thirty-year-old system.

The LMP Pilot program is currently being used by approximately 4000 users at various locations to include HQ, AMC, Army Communications-Electronics Command (CECOM), Tobyhanna Army Depot, and DFAS. The system is used daily in support of units currently employed in war fighting operations. Problems Identified are being solved using Tiger Teams that consist of the LMP Service Provider contractors and Government using Tiger Teams that consist of the LMP Service Provider contractors and government Personnel. Stabilization has taken longer than expected due to problems encountered with the interfaces between the ERP solution system and the government legacy systems that support the Acquisition missions. Key AMC directorate leaders are briefed on a bi-weekly basis on specific corrective actions taken. Additionally, the program continues to be intensively managed by PD LMP with monthly reviews by The AMC Senior Executive LMP Oversight Committee (SELOC).

UNCORRECTED PRIOR YEAR MATERIAL WEAKNESS

Local ID #: USAMC-03-004

Functional Category: Supply Operations – Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Replacement

Pace of Corrective Action:

Year Identified: FY 2003

Original Targeted Correction Date: FY 2004

Targeted Correction Date in Last Year's Report: FY 2005

Current Target Date: FY 2007

Reason for Change in Date(s): Initial Pilot deployment occurred in July 2003. Stabilization of critical functional capability for Pilot deployment is expected to continue through FY 05 due to longer than expected conversion of Government legacy programs in areas such as Acquisition and Financial into the ERP solution system.

Component/Appropriation: Army, AWCF

Validation Process: Independent Review and Audit

Results Indicators: Upon the first fielding of LMP, the Army Wholesale Logistics system consists of a streamlined, integrated, state-of-the-art system that provides significantly improved responsiveness to sustain the Warfighter.

Source(s) Identifying Weakness: Management, Deputy Commanding General of AMC.

Major Milestones in Corrective Action:

A. Completed Milestones:
Date:	Milestone:
30 Dec 99	LMP Contract awarded to CSC.
3 Jul 00	Transfer of legacy system support for CCSS and SDS to CSC.
18 Nov 00	LMP Business Process Reengineering (BPR) and Analysis (BPR&A) recommendation report approved: SAP recommended as ERP for LMP.
19 Jun 01	Proof of Concept, business process Blueprint version 1.0 and initial Services Description Document and Implementation Plan completed.
17 May 02	Blueprint version 2.0 baselined.
20 Aug 02	Systems Integration Testing (SIT) Initiated.
23 Jun 03	"Go-Live" Decision made.
7 Jul 03	LMP Pilot (First Deployment) initiated.

UNCORRECTED PRIOR YEAR MATERIAL WEAKNESS

<div align="right">Local ID #: USAMC-03-004</div>

Major Milestones in Corrective Action:

A. Completed Milestones:
     Date: Milestone:
 6 Jan 03   Pilot Stabilization efforts initiated, per AMC CG guidance. Corrective action
                 being worked through Tiger Teams (consisting of LMP Service Provide
                 contractors and MSC government personnel).

B. Planned Milestones in Corrective Action:
     Date: Milestone:
30 Oct 05   Complete stabilization of critical functional capabilities for the Pilot
                 deployment, including an Operational Review for confirmation.

30 Oct 06   The Integrated Project Master Schedule, which includes the schedule for
                 LMP2nd and 3rd Deployments, to be agreed upon by government and CSC
                 Project leadership.

31 Mar 07   Internal Review verify completed milestones.

OSD or HQDA Action Required: N/A – Information Only (DALO-SMI, COL Joseph T. Catudal
(703) 695-7828), email: joseph.catudal@us.army.mil.

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UNCORRECTED PRIOR YEAR MATERIAL WEAKNESS

Local ID #: USAMC-01-009

Title and Description of Material Weakness: Lack of Physical Security, Law Enforcement, and Force Protection Equipment and Materiel

The Army Materiel Command has concerns in the equipment sustainability and the integration of new technologies into the force protection (law enforcement and physical security) operations across AMC. Requirements have been requested annually to procure and sustain security equipment and materiel in support of Force Protection programs; however, PBG is limited in its ability to support the requirements within OMA, but particularly within OPA and MCA. Since 9/11, HQDA (OPMG) has initiated physical security equipment standardization packages, i.e. gates, without complete scheduled resourcing. Although GWOT resourced only the first 27 of the 139 (for AMC 9 of 37) identified installations, GWOT is shortly to be unavailable. In addition, many of the AMC installations intrusion detection systems (IDS) are aging systems and are not, although identified as required, currently projected for replacement. As other costs for out years increase (i.e., CSGs, DA civilian manpower, training, etc), it is imperative that corresponding security equipment requirements be resourced as well. In order to meet future strategic objectives, the integration of new technologies, such as the "smart gate" technology with its potential cost savings benefits, is vital to the success of force protection initiatives.

Functional Category: Force Protection (Physical Security and Law Enforcement Operations)

Pace of Corrective Action:

   Year Identified: FY 2001

   Original Targeted Correction Date: FY 2002

   Targeted Correction Date in Last Year's Report: FY 2007

   Current Target Date: FY 2008

Reason for Change in Date(s): Numerous requirements remain unfinanced and will continue to be resubmitted in FY08-11 Schedule 75 and POM Cycle.

Component/Appropriation/Account Number: Various, to include Operations and Maintenance, Army (OMA) and Army Working Capital Fund.

Validation Process: Independent Review and Audit

Results Indicators: Installations performance of physical security measures and protection of Army assets at the installation levels can be met through sustaining Force Protection Condition (FPCON) level Bravo per requirements determination. However, higher FPCON would require additional support.

Source(s) Identifying Weakness: Management – Directed by CG, AMC

UNCORRECTED PRIOR YEAR MATERIAL WEAKNESS

Local ID # USAMC-01-009

Major Milestones in Corrective Action:

A. Completed Milestones:
Date: Milestone:
Jan 02   Worked with AMC G-8 (OMA, Army Working Capital Fund
(original 26 Sep 01)   (AWCF), G-3 (Chemical Biological) and G-3 (Ammunition) on
                                Schedule 75 and POM submission of requirements.

Jan 03   Worked with AMC G-8 (OMA, Army Working Capital Fund
                                G-3 (Chemical Biological) and G-3 (Ammunition) on Schedule 75
                                and POM submission of requirements.

Jan 04   Worked with AMC G-8 (OMA, Army Working Capital Fund
                                G-3 (Chemical Biological) and G-3 (Ammunition) on Schedule 75
                                and POM submission of requirements.

Jan 05   Worked with AMC G-8 (OMA, Army Working Capital Fund
                                G-3 (Chemical Biological) and G-3 (Ammunition) on Schedule 75
                                and POM submission of requirements.

B. Planned Milestones (Fiscal Year 2006)
Date: Milestone:
Jan 05   Submit requirements to FY08-11 Schedule 75 and POM Cycle.

C. Planned Milestones (Beyond Fiscal Year 2006)
 Date: Milestone:
Continue to submit requirements in Schedule 75 and POM Cycle submissions.

HQDA Functional Proponent Participating in Corrective Actions: HQDA, OPMG,
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614-2597

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UNCORRECTED PRIOR YEAR MATERIAL WEAKNESS

Local ID #: USAMC-01-008

Title and Description of Material Weakness: Law Enforcement and Security Operations

The Army Materiel Command has concerns for security and law enforcement operations in the long term. With utilization of Global War on Terrorism (GWOT) resources for the contract security guards hired under the Defense National Authorization Act of Dec 02 (DNAA02), this command has concerns for their future resourcing without GWOT. Current waiver to contract for increased security functions as a result of 9/11 was extended from 2 Dec 05 until Sep 06, with a stipulation that the report must be complete and have reached the Hill by 1 Dec 05. The ACSIM is writing the DOD Report that is due 1 Dec 05 to SASC/HASC. The ACSIM is the Chair for a DOD level working group of which IMA and OPMG are a part. DA OPMG are assisting with information for the report. Furthermore, there are concerns for the continued out-year funding of DAC over-hires due to increased security operations since 9/11. Since 9/11, HQDA has mandated the securing of all gates with security personnel to perform 100% identification checks and random vehicle inspection programs, little has been accomplished to address the requirement in the long term. There are insufficient funds in the projected Program Budget Guidance (PBG) to support identified requirements. To date, there are minimal efforts to make required adjustments to Department of Army Civilian (DAC) guard Table of Distribution and Allowances (TDAs) for FY09 or prior years dependent upon DNAA02 pending approvals. Although the DNAA02 authorized the utilization of CSGs where augmentation forces would be utilized, the authorization act continues to be only a short-term fix to a long-term problem.

Functional Category: Personnel - Force Protection (Law Enforcement Operations)

Pace of Corrective Action:

Year Identified: FY 2001

Original Targeted Correction Date: FY 2002

Targeted Correction Date in Last Year's Report: FY 2007

Current Target Date: FY 2008

Reason for Change in Date(s): Schedule 75 submission for FY2007 has been submitted and TDA adjustments can not be completed until FY2008, Schedule 75 submission for FY2008-12 upcoming in Nov 05.

Component/Appropriation/Account Number: Various, to include Operations and Maintenance, Army (OMA) and Army Working Capital Fund.

Validation Process: Independent Review and Audit

UNCORRECTED PRIOR YEAR MATERIAL WEAKNESS

Local ID # USAMC-01-008

<u>Results Indicators</u>: Installations performance of police and guard functions at installation levels can be met through sustaining Force Protection Condition (FPCON) level Bravo per requirements determination. Higher FPCON would require additional support.

<u>Source(s) Identifying Weakness</u>: Management – Directed by CG, AMC

<u>Major Milestones in Corrective Action</u>:

A. Completed Milestones:

Date:	Milestone:
Sep 01 and 02	Worked with FORSCOM to acquire AC and RC units to support force Operations on AMC sites during heightened FPCON
May 03	Submitted contract guard requirements to HQDA (DAMO-ODL) Under provisions of Defense National Authorization Act of 2002 Signed by the President on 1 Dec 02
May 03	G-1, G-2 and G-3 completed IPR on expeditious actions for hiring of guards and disseminated guidance to the field
Nov 04	Re-validate manpower requirements from DAMO-ODL/USAMPS ACP Study in manpower requirements drill
Dec 04	HQDA (DAMO-ODL is establishing a Civilian Police Academy at US Army Military Police School, Fort Leavenworth, MO – Under TAA011 initiative actions to incorporate additional manpower in FY2005 (USAMPS action on Police Academy pending.)
Jan 05	Submitted Schedule 75 for FY07-11 requirements to DA OPMG.
Jan 05	Re-validate manpower requirements from DAMO-ODL/USAMPS ACP Study in manpower requirements drill and pending final policy determination on DNAA02 CSGs. Schedule 75 submission made for FY2007-11.

UNCORRECTED PRIOR YEAR MATERIAL WEAKNESS

Local ID # USAMC-01-008

B. Planned Milestones (Fiscal Year 2006)
Date: Milestone:
Jan 06   Revalidate manpower requirements from DA OPMG/USAMPS ACP
                              Study and other requirements along with Manpower Requirements
                              generation.

Jan 07   Continue to revalidate manpower requirements to and from DA OPMG
                              in manpower requirements drill.

HQDA Functional Proponent Participating in Corrective Actions: HQDA, OPMG,
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UNCORRECTED PRIOR YEAR MATERIAL WEAKNESS

Local ID #: USAMC-01-005

Title and Description of Material Weakness: Industrial Base (IB) Management, Analysis, and Planning

Army lacks sufficient IB planning capability to efficiently and effectively support contingency operations and the transformation.

Army Materiel Command (AMC's) staff management has been reduced over the last several years such that there is inadequate management level expertise to effectively manage the Army's IB mission. There is no systematic mechanism across the AMC to perform IB management, analysis, and planning. There is no coordination mechanism in AMC to develop guidance, coordinate, analyze, prioritize, and elevate readiness issues from the Life Cycle Management Commands (LCMC) to cultivate a consistent analysis approach, identify priority issues from a common perspective, and address those issues. This includes the lack of ability to identify IB issues that would prevent us from meeting contingency or replenishment requirements. There is no systematic approach among the Acquisition Community to perform the IB mission.

Functional Category: Industrial Base Management

Pace of Corrective Action:

    Year Identified: FY 2001

    Original Targeted Correction Date: FY 2003

    Targeted Correction Date in Last Year's Report: FY 2006

    Current Target Date: FY 2006

Reason for Change in Date(s): (1) LCMC/PEOs continue to establish Industrial Base Support Agreements (IBSAs) IAW AR 700-90. (2) AMC is attempting to restructure Industrial Preparedness Operations (IPO) program and funding for FY 08-11. HQDA has divested IPO funding for FY 08-11 and 54 (51 direct & 3 indirect) manning slots are adversely impacted. (3) AMC is developing the Army's Industrial Base Strategic Plan. (4) AMC is supporting ASA(ALT) - led assessment of the IB's ability to support technology solutions to TRADOC - identified operational capability gaps. (5) AMC is performing an Army Business Initiative Council (ABIC) Business Case Analysis (BCA) on establishing Diminishing Manufacturing Sources and Material Shortages (DMSMS) as a best business practice for the Army; ABIC Initiative is titled: Develop Plan to Reverse Engineer Obsolete Parts. (6) Army and AMC are preparing to address Quality Assurance issues raised as a result of a GAO Audit of the quality of DOD spare parts. Army Quality Executive concept being briefed to ASA(ALT) and MIL DEP. (7) AMC is undergoing a USAAA audit on the Impact of Warranties on Weapons Systems Maintenance Costs and requires resources to implement AR 700-139, Army Warranty Program, 9 Feb 04.

UNCORRECTED PRIOR YEAR MATERIAL WEAKNESS

Local ID #: USAMC-01-005

Component/Appropriation: Industrial Preparedness Operations (IPO) Account

Validation Process: Independent Review and Audit

Results Indicators: Industrial Base and Quality Offices at HQ AMC and LCMCs have access to resources needed to identify production base capabilities, IB and Quality issues and shortfalls, and coordinating across all levels of the Army and with other services.

Source(s) Identifying Weakness: Issue raised by the Commanding General of AMC.

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestone:
Sep 01	HQDA approved Army IB Strategy.
Oct 01	Provided FY02 funds to HQ AMC and MSC's.
Nov 01	Supported HQDA update of AR 700-90, Industrial Base Process.
Aug 02	Provided preliminary assessment approach, response to PBD 407 and GAO Report 02-650.
Feb 03	Updated AR 700-90 (Change to Chap 2, Responsibilities, approved May 03).
Apr 03	AMC-Reg 10-2, Missions and Functions with attendant TDA approved. AQF Liaison to HQ AMC established.
Sep 03	Developed Army Proactive DMSMS Resourcing Requirements.
Dec 03	1st ASA(ALT)/CG AMC IB Conference held.
Jan 04	CG AMC AQF endorsement Memo, G-3 established as AMC Quality Champion.
Feb 04	CG AMC – ASA(ALT) Joint IBSA established.
Mar 04	IPO 07-11 POM submitted to Army G4 SS PEG Manager.
Jun 04	2nd ASA(ALT)/CG AMC IB Conference held. HQ AMC recruited SES to provide leadership to Army's IB Program.
Jul 04	DCMA-IAC delivers Phase I, Army IB Transformation Study Report to AMC. Briefed Public-Private Partnerships (P3) at Team Redstone Advance Planning Briefings for Industry (APBI).
Aug 04	Army finalizes POM 06-11.
Nov 04	P3 Tutorial and Handbook completed and fielded.
Dec 04	3rd Revision of AR 700-90 approved & published. 3rd ASA(ALT)/CG AMC IB Conference held. HQ AMC restructured two staff positions and redefined a third to enable the recruitment of additional IB expertise. DCMA-IAC delivers Phase II, Army IB Transformation Study Report to AMC.
Jan 05	Army Business Initiative Council (ABIC) Business Case Analysis (BCA) Study, Develop Plan to Reverse Engineer Obsolete Parts, SES level IPR conducted
Mar 05	Briefed MILDEP and ASA(ALT) on Army Quality Executive concept.

UNCORRECTED PRIOR YEAR MATERIAL WEAKNESS

Local ID #: USAMC-01-005

A. Completed Milestones (Continued):
Date: Milestone:
Apr 05   Briefed MILDEP on proposed IPO Restructured Program & Funding
                Reinstatement. CG, AMC tasked development of Army IB Strategic Plan, Phase
I –
focus on Organic Base, Phase II – entire Industrial Base.

May 05   ASA(ALT) concurred with Army Quality Executive concept.
                Briefed ASA(ALT) on IPO Restructured Program & Funding Reinstatement.

B. Planned Milestones (Fiscal Year 2005):
Date: Milestone:
May 05   OSD-ALT approves DOD DMSMS Guidebook.
                AMC Partnering Opportunities for Industry posted onto AMC Webpage.
                Brief DA G4 on proposed IPO Restructured Program & Funding Reinstatement.
                ABIC BCA study on Develop Plan to Reverse Engineer Obsolete Parts-follow-on.
                Institute Rapid Review Team concept of reviewing and reporting industry best
                practices through on-site visits by industry experts.

Jun 05   DAU Education Extension Course on DMSMS 101 goes online. Army IB
                Strategic Plan, Phase I, SES level IPR conducted. Organic Base Plan results
                briefed at IB Conference. 4th ASA(ALT)/CG AMC IB Conference held. P3
                briefing at Tobyhanna P3 Conference. HQ AMC Quality Strategy finalized.

 Jul 05   P3 briefing at Team Redstone Advance Planning Briefings for Industry (APBI).
                Army MOA with DCMA Industrial Analysis Center signed.

Aug 05   P3 AKO Knowledge Center updated with updated handbook and tutorial.

Sep 05   Complete ASA(ALT)-AMC Assessment of IB's ability to support technology
                solutions to TRADOC's operational capability gaps.

C. Planned Milestones (Fiscal Year 2006 and beyond):
Date: Milestone:
Oct 05   P3 briefing at TACOM APBI.
Nov 05   CY05 schedule of on-site P3 partnering tutorials at Army installations completed.
Dec 05   Army IB Strategic Plan, Phase II Organic & Commercial Base Strategic Plan
                briefed at ASA(ALT)/CG AMC IB Conference.
                5th ASA(ALT)/CG AMC IB Conference held.
Feb 06   P3 briefing at AFSC APBI.
Mar 06   Out-brief ABIC on Reverse Engineering of Obsolete Parts BCA Study.

UNCORRECTED PRIOR YEAR MATERIAL WEAKNESS

Local ID #: USAMC-01-005

C. Planned Milestones (Fiscal Year 2006 and beyond):
Date: Milestone:
None.

OSD or HQDA Action Required: Sep 05 - ASA(ALT)-AMC Assessment of IB's ability to support technology solutions to TRADOC's operational capability gaps. ASA(ALT) is project lead. POC: Roger Pratt, SAAL-ZT, ph: 703-601-1534, e-mail: roger.pratt@us.army.mil.
Mar 06 - Out-brief ABIC on Reverse Engineering of Obsolete Parts BCA Study. ABIC Board of Directors review required. POC: April Fortenberry, Army BIC Office, ph: 703-601-4196, e-mail: April.Fortenberry@hqda.army.mil.

Note: Coordinate strategy with HQ Department of the Army. Coordinate with, fund and staff AMC and MSCs. Establish planning procedures. Implement analysis and planning procedures.

Point of Contact:
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<u>MW NUMBER</u>	<u>TITLE</u>	<u>PROPONENT</u>
USAMC-04-002	Policies Governing the Use of Passive Radio Frequency Identification (RFID) and Automatic Identification Technology (AIT) (New title)	G-3, DCS OPS
USAMC-04-001	Lack of Sufficient Indicators to Foresee an Over Obligation in Cash Flow Environment and Ensure Corrective Actions are Taken	G-8, DCS RM
USAMC-03-003	Lack of Accountability for Class IX Material In Theater	G-3, DCS OPS
USAMC-03-001	Senior Executive Service (SES) Recruitment Process	G-1, DCS PER
USAMC-02-003	Civilian Personnel System	G-1, DCS PER
USAMC-01-010	Army Working Capital Fund (AWCF) Repair Parts (Class IX)	G-3, DCS OPS

TAB B-3

CORRECTED MATERIAL WEAKNESS

<u>Title and Description of Material Weakness</u>: Policies Governing the Use of Passive Radio Frequency Identification (RFID) and Automatic Identification Technology (AIT)

Previous title: Policies Governing the Use of Radio Frequency Identification (RFID) and Unique Item Identification (UID) Automatic Identification Technology (AIT)

This Material Weakness was refined into two issues: RFID Implementation and UID (Reported separately). These two issues, while emanating from the AIT arena, have sufficiently differing circumstances that warrant being addressed as discrete topics.

AIT is an enabler which facilitates data capture, aggregation, transfer, and transmission. AIT includes a variety of read/write data storage technologies that are used to process asset identification information. RFID is a form of AIT, and manifests itself in two modes: Active (powered) and Passive (un-powered). Although initial AIT plans have been developed at the DOD and DA levels, specific policies for both types of RFID are still evolving, especially in the Passive RFID arena. These draft policies and already existing procurement guidance from DOD are not in sync. The final DOD RFID policy was published 30 July 2004. Overarching Army AIT Policy, which includes RFID, is under revision and a Draft Army RFID Concept of Operations (CONOPS) is currently being staffed. AMC G3 Enterprise Integration (EI) has a representative on the Army RFID Working Group and is working with G-4.

As written, the DOD policy for Passive RFID is unexecutable. First and foremost, this is an unfunded mandate. The Defense Federal Acquisition Regulation Supplement (DFARS) which requires passive RFID tagging to begin for all new solicitations issued after 1 Oct 04 (with delivery after 1 Jan 05) has been submitted and approved. However, the Services cannot comply within the given timeframes outlined in section 3.2 of the Implementation Plan for Passive RFID, final DOD RFID policy, dated 30 July 2004. There are significant issues with funding, standardization and evolutionary stage of the technologies involved, automated information systems (AIS) modification timelines, user training, and business process reengineering.

In Mar 05, the US Army Logistics Transformation Agency (LTA) published a draft of a Business Case Analysis (BCA) for Passive RFID. For all nodes of the distribution pipeline, there were the criteria for Passive RFID success:

1. DFARS clauses must be approved and compliance enforced.
2. Advanced Shipment Notice format must be finalized.
3. Wide Area Work Flow (WAWF) or equivalent must allow ASN data to be input.
4. Existing AISs must be modified to send and receive ASNs. This also means an adequate communications link must exist.
5. Tag read rates must be improved to achieve pallet read rates near 100 percent (>99%).
6. Equipment must be installed and users trained in its use (both hardware and software (90+% read rate)

CORRECTED MATERIAL WEAKNESS

Though they cite that the significant investment costs ($98M per Supply Support Activity (SSA) or Installation) could be recouped in 3 years, these "costs" are in the form of cost avoidances rather than actual budgetary savings. Furthermore, most of the criteria for success will not be in place in the immediate future. The Army and the Services have not implemented WAWF unilaterally as a vehicle for transmitting the ASN. One criteria requires current AIS's to be modified to accept RFID, but given the current AMC policy that no more funds will be expended to modify legacy systems, this criteria is unachievable. Current experience with Passive RFID pilots have achieved far less than 99% read rate success unless every pallet is manually downloaded and every case scanned individually. The last criteria, the hardware and training requirement, will require not only hardware procurement for which there are no funds but also a training burden that is unknown and unresourced.

One final note: Passive RFID technology has not been certified as safe for use with ammunition and explosives, so that commodity will not use passive RFID technology until it is certified safe.

It is essential that further refinement, resource planning and technical coordination take place among DOD, HQDA G4, AMC, and the Services to ensure we have a plan that (1) supports the War fighter (2) is integrated into the Logistics Enterprise and (3) is clear and executable.

Functional Category: RFID Policies may affect all of the following functional areas: Acquisition, Finance, Product Lifecycle Management, Major Subordinate Command Maintenance Management, Supply Chain Planning, Sales & Distribution/Warehouse Management/Inventory Management, and Depot Operations.

Pace of Corrective Action:

Year Identified: FY 2004

Original target date: FY 2008

Targeted Date in Last Year's Report: FY 2008

Current Target Date: FY 2008

Reason for change: Date is contingent upon OSD/HQDA guidance.

Component/Appropriation: All appropriations, AWCF, OMA and APA.

Validation Process: Independent Review and Audit.

CORRECTED MATERIAL WEAKNESS

Local ID# USAMC-04-002

Source(s) Identifying Weakness: Management, HQ, AMC, G3, Enterprise Integration.

Results Indicator: Army Working Capital Fund (AWCF).

Major Milestones in Corrective Action:

A.   Completed Milestone Dates:

Date:	Milestone:
Mar 00	DOD AIT Plan
Mar 01	DLA AIT Implementation Plan
Oct 01	Army AIT Implementation Plan
Mar 03	AMC AIT Implementation Plan
Oct 03	Initial DOD RFID Policy
Feb 04	DOD RFID Policy Update
Jul 04	AMC AIT IPT
Jul 04	Draft AMC AIT IPT Charter
Jul 04	AMC AIT
Jul 04	Draft Revised AMC AIT Implementation Plan
Jul 04	OSD RFID Policy
Nov 04	Draft AMC AIT Charter
Jan 05	DOD begins passive RFID implementation (CL I, II, VI, IX)
Jan 05	AMC AIT IPT
Feb 05	OSD RFID Summit
Mar 05	LTA Passive RFID BCA

B. Planned Milestones: (Fiscal Year 2005):

Date:	Milestone:
3QTR05	Final Army RFID and UID Policies published.
Jun 05	Draft Final Revised AMC AIT Implementation Plan.

C. Planned Milestones: (Fiscal Year 2005 and beyond):

Date:	Milestone:
1 Jan 06	DOD begins passive RFID implementation for all classes of supply.
FY07	Only RF enabled AIT will be acquired.
FY07	All DOD logistics automated information systems will use RFID.
1 Jan 07	DOD completes passive RFID implementation on all classes of supply.

CORRECTED MATERIAL WEAKNESS

Local ID# USAMC-04-002

<u>OSD or HQDA Action Required</u>: DOD Functional Proponent Participating in Corrective Action: OADUSD (L&MR)MPP&R Mr. Steve Heilman staff element POC responsible for DOD RFID and UID Policy; HQDA Functional Proponent Participating in Corrective Action: HQ DA DALO-SMI (<u>Mr.</u> Ben Morgan) staff element POC responsible for HQDA RFID and UID.

<u>Note</u>: Closed for Reporting to HQDA – Recommend Closure.

HQ, AMC, G3 Enterprise Integration will continue to work with AMC MSCs, LAISO, LOGSA, and Army G-4, PM-AIT and DOD to provide recommendations on evolving DOD/HQDA policies and regulations. In addition, AMC EI is working closely with HQ AMC functional representatives, LAISO, LOGSA, and AMC MSCs to develop an AIT implementation plan, and policies and procedures that will incorporate RFID/UID into the Single Army Logistics Architecture.

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CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-04-001

Title and Description of Material Weakness: Lack of Sufficient Indicators to Foresee an Over Obligation in Cash Flow Environment and Ensure Corrective Actions are Taken.

Resourcing the Global War on Terrorism (GWOT) presents a serious challenge to the resource management community. Cash flowing critical requirements increases the risk of over obligation. Sufficient indicators are not established to prevent an over obligation of resources at the Major Subordinate Command (MSC) level. An over obligation occurred at an MSC during the FY 04.

Functional Category: Budget/Resource Management

Pace of Corrective Action:

   Year Identified: FY 2004

   Original Targeted Correction Date: FY 2005

   Targeted Correction Date in Last Year's Report: FY 2005

   Current Target Date: FY 2005

   Reason for Change in Date(s): N/A

Component/Appropriation: Operation and Maintenance, Army (OMA)

Validation Process: Independent review and audit.

Results Indicators: Successful completion of the review and audit of the financial execution process at HQ AMC. Following completion of this review, audit and identification of sufficient indicators, management will be in a better position to evaluate financial execution data and take corrective action prior to an actual over obligation

Source(s) Identifying Weakness: Management, G-8

CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-04-001

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestone:
20 Jul 04	Internal Review and Audit Compliance Office Review, engagement # 2004-038, as directed by HQ, AMC and CG, AFSC.
22 Jul 04	HQ, AMC conducted daily financial execution reviews with MSC resource management and functional personnel in order to review actual obligations and analyze deviations from obligation plan for the remainder of FY 2004. Throughout FY 2005 these reviews continued on a weekly basis.
27 Jul 04	AFSC, G-8 developed internal procedures for cash flow.
28 Jul 04	AFSC, G-8 submitted cash flow internal procedures to the AFSC, CG for review and approval to implement and execute. Over obligation corrected at AFSC.
Sep 04	AFSC, G-8 (AMSFS-RMB) implemented cash flow control procedures. HQ, AMC and AFSC/JMC established written Sub Activity Group (SAG) cash Flow guidance and directed that there would be no cash flowing for FY 2005.
	AFSC, G-8 (AMSFS-RMB) implemented internal guidance to put all requests for funding in writing to HQ, AMC. AMSFS-RMB now requires written authorization from HQ, AMC before taking any action on unprogrammed funding issues.
15 Sep 04	Chief, AMCRM-F conducted a review of the financial execution and the cash flow process at HQ, AMC. Chief AMCRM-B satisfactorily briefed key financial indicators of potential over obligations that are used to evaluate MSC cash flow.
Nov 04	AFSC, G-8 (AMSFS-RMB) reports potential over obligations to AMSFS-RM and the G-8 now consistently notifies the AFSC/JMC CG of all significant funding issues.
Jan 05	AFSC, G-8 prepared an Information Paper to the CG outlining situations that could possibly incur a material weakness and provided internal controls to prevent a material weakness resulting from these situations.
Apr 05	AFSC, G-8 now provides periodic status reports to the AFSC, CG so he and the Command Group are aware of all funding issues.

CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-04-001

B. Planned Milestones (Fiscal Year FY 2005):
Date: Milestone:
None.

C. Planned Milestones (Beyond Fiscal Year 2005):
Date: Milestone:
None.

OSD or HQDA Action Required: N/A – Revised Information only.

Note: Mr. Walt Rugg, AMSFS-RMC, validated the AMSFS-RMB corrective procedures and determined that the weakness is corrected. Chief, AMCRM-F evaluated final implementation of financial indicators developed in FY 2004 and concurred that corrective measures are in place to prevent a similar occurrence in the future.   Based on the above actions, this material weakness will not required further validation by HQ, AMC. Closed for reporting to HQDA, recommend closure.

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CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-03-003

Title and Description of Material Weakness: Lack of Accountability for Class IX Material in Theater

Lack of automation and communications for logistics, poor in-theater distribution, shortages of logistics units, and fluidity of the battlefield hampered efforts to perform basic supply transactions initially. There are still millions of dollars in Class IX inventory that have not been definitively accounted for. We are deep into the bottoms up reconciliation with the theater and expect to conclude the effort within the next two FYs. However, due to the operating conditions and the frequent changes to deployments and support, this remains a concern due to constant changes in personnel at the SSAs.

Functional Category: Supply Operations

Pace of Corrective Action:

      Year Identified: FY 2003

      Original Target Date: FY 2004

      Target Date in Last Year's Report: FY 2005

      Current Target Date: FY 2006

Reason for Change in Date(s): Milestones changed due to funding issues. Once funds were applied the obligations occurred rapidly and the project is now on track for completion next year. Many actions are mile stoned IAW CFLCC personnel availability due to the rapid and frequent turn-over in supply activities supported in theater and the transition of operational forces. Every consideration possible has been made to be non-disruptive to the on-going mission in theater.

Component/Appropriation: Army/N/A

Validation Process: Independent Review and Audit.

Results Indicators: Army Working Capital Fund (AWCF)-Supply Management Army (AWCF-SMA) sales matching receipt/issue documents, reconciliation of Depot Level Reparables (DLR) repair D6M/D6A transactions with ILAP/LIDB.

Source(s) Identifying Weakness: Operations (OEF/OIF) Situation Reports, metrics for AWCF-owned materiel with non-matching receipts/issues, ILAP/LIDB sales documents not matching materiel that was "pushed" to theater, Found-on-Installation (FOI) transactions, Automated Information Technology (AIT) not fully utilized.

CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-03-003

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestone:
Sep FY 2003	Validate legacy system processes with appropriate Single Stock Fund (SSF) Business Rules, submit system change requests, if required.
Sep FY 2003	Initial material weakness identified unreliable communications and connectivity problems. SARSS units in the AOR have been issued new Very Small Aperture Terminal (VSAT) communications systems. VSAT Help Desk at Camp Arifjan indicated 38 of 42 VSATs operational.
Sep FY 2004	Contract for Bottoms-Up Reconciliation (BUR) Team to reconcile the SARSS-1 and CTASC files for units in the operational area. Reconciliation from CTASC to CCSS/LMP was accomplished for selected units. BUR Team conducted training and assistance to SARSS-1 sites.
Dec FY 2004	FORSCOM implemented SARSS/SSF training for units deploying to AOR. Monitored and validated metrics for AWCF-SMA sales/receipts, monitor AWCF-SMA inventory adjustments at Forward Storage Activities; updated monthly.
Jan FY 05	Conducted first of several CCSS/SARSS reconciliations with DA/AMC and FORSCOM. First reconciliation was between ILAP and FORSCOM Unliquidated Obligations (ULOs). Next reconciliation included matching FORSCOM ULOs to SARSS records. $42.3M of ULOs has been billed to FORSCOM. $52.3M of additional ULOs await processing in closed cycles to avoid adjusting records that have already been adjusted automatically.

B. Completed Milestones (Fiscal Year 2005):

Date:	Milestone:
Oct FY 05	BUR Team continues same process for FY 02/03/04/05 data.
Sep FY 05	Complete SARSS hardware upgrades.

C. Planned Milestones (Fiscal Year 2006 and beyond):

Date:	Milestone:
Oct FY 07	BUR Team continues same process for FY 03/04/05/06 data.
Dec FY 07	HQ, AMC IRACO review of completed milestones.

CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-03-003

<u>OSD or HQDA Action Required</u>: N/A Information only HQDA, G-4.

<u>Note</u>:

a. CENTCOM continues to address in-theater distribution processes.

b. HQ, AMC review/revision of current policy and regulations, analysis of supply and maintenance documentation reports from Army STAMIS, onsite visits to installations and activities, supply class IX summit meetings/conferences, analysis of budget data.)

c. Closed for reporting to HQDA – recommend closure: Reason: This issue was identified by the G-4 as a Material Weakness in FY04. "Logistics Asset Visibility and Accountability "was identified as a result of a draft GAO report dated 18 December 2003. The Acting Director for Program Development, HQDA G-4 in a Memorandum dated 10 Nov 2004, stated that he sees no need to establish another material weakness for this issue, as the G-4 has already identified it.

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CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-03-001

Title and Description of Material Weakness: Senior Executive Service (SES) Recruitment Process

The SES recruitment process requires extensive coordination that often time is lengthy and duplicative to coordination occurring at the major command level. Recommend HQDA review current policy and make every attempt to reduce the recruitment to entrance of duty time to no more than 90 calendar days.

Functional Category: Personnel and/or Organization Management

Pace of Corrective Action:

Year Identified: FY 2003

Original Targeted Date: FY 2004

Targeted Corrected Date in Last Year's Report: FY 2005

Current Target Date: FY 2005

Reason for Change in Date: N/A

Component/Appropriation: Army

Validation Process: Managerial judgment; independent review and audit.

Results Indicator: Reduction in SES recruitment time to a maximum of 90 days.

Source(s) Identifying Weakness: Management, AMC ADC G1.

Major Milestones in Corrective Action:

A. Completed Milestones:
Date: Milestone:
30 Apr 03   Conducted Lean Value Stream Analysis.

1 Jul 03   Followed up with a Lean Rapid Improvement Event that will result in
                 considerable shortening of the recruitment time within AMC.

15 Jul 03   Memo from CG, AMC (GEN Kern) to Mr. Brown, The ASA M&RA requesting
                 delegation of certain authorities in order to streamline and expedite the SES
                 recruitment process.

CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-03-001

A. Completed Milestones:

Date: Milestone:

9 Feb 04   Inception of the Senior Executive Service (SES) Staffing Priority Review Board
                 (SPRB) Charter.

Mar 04   Memo from CG AMC (GEN Kern) to Mr. Brown, Inception of Standing Panels
                 and Review Boards.

B. Planned Milestones: (Fiscal Year 2005):

Date: Milestone:

Jul 05   Expect implementation of AMC internal processes by July 05.

30 Sep 05   HQ, AMC IRACO verify documentation on completed milestones.

C. Planned Milestones: (Beyond Fiscal Year 2005):

Date: Milestone:

None.

OSD or HQDA Action Required: Ms. Elizabeth Phillips, Deputy Chief, SES Office, Office of
the Assistant Secretary of the Army for Manpower and Reserve Affairs (730) 693-1126.

Note: The Assistant Secretary of the Army for Manpower & Reserve Affairs is working a plan
for consolidating the SES management at HQDA that proposed collocating the SES functions
with the General Officers Management Office (GOMO) and the phased approach to
implementing a new senior executive management concept. The proposed plan was briefed to
the ASA on 6 April 04. The plan is on hold waiting for the Secretary of the Army's approval.
Currently, AMC has 21 SES vacancies, 7 of the 21 SES vacancies have tentative selections.
Some recruitment actions have taken up to 1,100 days before appointment of an SES member.

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CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-02-003

Title and Description of Material Weakness: Civilian Personnel System

In 2001, the President's Management Agenda set strategic management of human capital as one five government-wide goals, and GAO identified human capital management as a high risk area for federal activities. Effective human capital management entails accurately forecasting workforce and skill needs; training employees in emerging as well as legacy skills and functions; retaining valuable personnel; and staffing up a successor force to experienced employees who will leave. It also includes leading the workforce effectively, strengthening results orientation and consequences for individual performance, and providing for a supportive and simpler personnel system which attracts talented people to work for the government.

AMC has concerns about the overall civilian personnel system in terms of responsiveness and timeliness; and flexibility in recruitment, development and retention programs; and good links between performance, compensation, and placement. Even with continuing improvements in average fill time, the hiring process takes too long, particularly in a competitive market for outstanding college graduates. Other hiring actions can take several months, such as those for senior executives with their redundant approval processes. The latter is self-imposed by Army internal policies on approval authorities and levels of review.

FY04 National Defense Authorization Act gives the Department authority to establish its own personnel system, National Security Personnel System (NSPS). AMC G1 staff actively engaged with DOD, Department of Army and other military departments and defense agencies to implement NSPS.

Functional Category: Personnel and organization management.

Pace of Corrective Action:

   Year Identified: FY 2003

   Original Targeted Correction Date: FY 2005

   Targeted Correction Date in Last Year's Report: FY 2007

   Current Target Date: FY 2005

   Reason for Change in Date: During a Senior Management Review meeting, the Deputy Commanding General instructed the G-1 to close this material weakness and recommend closure to HQDA.

Component/Appropriation: Army

Validation Process: Managerial judgment; independent review and audit.

CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-02-003

<u>Results Indicators</u>: Establish revitalized workforce (interns, apprentices, and fellows) numbers relative to requirements; key occupation loss rates; job fill timeliness; retirement eligibility distribution; numbers/conversions for college students in career experience programs; trained personnel in key professional, leadership, and integrating competencies.

<u>Source(s) Identifying Weakness</u>: Deputy Commanding General, U.S. Army Materiel Command

<u>Major Milestones in Corrective Action</u>:
A. Completed Milestones:

Date:	Milestones:
26 Jul 04 – 17 Sep 04	Participated in NSPS HR design team with representatives from all military departments, defense agencies, Office of Personnel Management.
30 Sep 04	Three AMC activities selected for participation in spiral 1.1, with remainder of AMC to convert in spiral 1.2.
Feb 2005	Draft Federal Register proposing NSPS design published for 30-day comment period.
Mar 04	Met with unions.

B. Planned Milestones (Fiscal Year 2005):

Date:	Milestones:
30 Jul 05	Final Federal Register published. Labor Relations provisions implemented across the Department. DOD Implementing Regulations published.
31 Aug 05	HQ, AMC IRACO verify completed milestones.

C. Planned Milestones (Beyond Fiscal Year 2005):

Date:	Milestones:
None.	

<u>OSD or HQDA Action Required</u>: N/A (Information only for HQDA, G-1) The implementation schedule Is controlled by the NSPS PEO.

<u>Note</u>: At MACOM and MSC levels, AMC has undertaken a vigorous set of program activities to shape its workforce for the future including interns, apprentices and multi-disciplinary fellows. Development includes: Executive education in logistics and technology, college work-study programs, training in lean management techniques and enterprise system environment, and planned training for key employee based on individual strength assessments.

CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-02-003

Note (continued):

The ability to sustain such activities is increasingly tied to the state of Army's civilian personnel system. Weaknesses lead to degradation of AMC's and Army's capability to accomplish our work. Command investment resources come out of increasingly tight line mission assets such as by reengineering mid and senior level vacancies to trainee levels, and by restricting operations so we can train staff adequately. AMC Commanders' capability to project force, skill, retention, and hiring needs is altered by realignment of major Army functions to stovepipes, and by Army intentions for The Third Wave and other outsourcing initiatives.

The Army has not yet fielded a strong civilian job marketing campaign to capture the imagination of quick-paced, technology savvy people outside traditional governmental channels. Prolonged vacancies, an applicant pool which is not all it can be, unnecessarily bureaucratic processes affect our ability to carry out our mission by diverting managers and cutting into our workforce, which works longer and harder to pick up the slack.

 AMC will continue to work with Army to streamline and improve the civilian personnel system and Army business processes, and strongly supports Department of Defense plans to move to an alternate personnel system.   We shall continue to work with Army to plan for, justify, and make full use of central intern and training assets. AMC will continue to propose legislation for change and to volunteer as a test bed for innovative personnel programs, tools, and systems.

Revised implementation schedule by Department of Defense. The originally proposed October 04 implementation has been pushed to summer of 2005. This has now been further extended to February 2006. Three AMC sites have been selected for initial implementation. The schedule for implementation across the Department extends to FY2008.

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CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-010

Title and Description of Material Weakness: Army Working Capital Fund (AWCF) Repair Parts (Class IX)

The supply pipeline continues to be frustrated by inadequate and untimely funding. The inability to acquire materiel in the right quantities at the right times frequently results in out of stock conditions for critical items. The affect on readiness is staggering. High contingency OPTEMPO, the need to Reset the Force, and several years of unfinanced requirements greatly increased backorders for critical items. In prior years, administrative and production lead times artificially increased because Procurement Work Directives (PWD) were stacked awaiting funds. Stacking PWDs draws out the lead time needed to place items in the soldiers' hands. Facilities, personnel, tools and expertise are ready to support the force but without a steady flow of parts, tactical success is in jeopardy. Since FY00, Army requirements for Class IX Repair Parts have been under funded. This decreased Army readiness by driving stock availability below DA goals. Though much has been done to correct the shortfall, especially in late FY03 and throughout FY04, unfinanced requirements (UFR) continue.

Functional Category: Risk to Force Readiness

Pace of Corrective Action:

       Year Identified: FY 2001

       Original Targeted Correction Date: FY 2003

       Targeted Correction Date in the Last Year's Report: FY 2005

       Current Target Date: FY 2005

Reasons for Change in Dates: N/A

Component/Appropriation/Account Number: Army AWCF-SMA

Validation Process: Independent Review and Audit

Results Indicators: Improved force readiness. Sufficient funding to support optimal supply availability for all commodities resulting in: no NMCS downtime for SORT Systems; improved stock position to support future contingency operations; reduced back orders and customer wait time.

Source Identifying Weakness: Management – directed by the CG, AMC

CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-010

Major Milestones in Corrective Action:

A. Completed Milestones:
Date: Milestone:
FY02   Received $2868M OA for 65% of total requirements
FY03   Received $6316M OA and $562M TOA for 84% of total requirements
FY04   Received $7120M OA, 92% of the FY04 repair parts requirements

B. Planned Milestones (FY05):
Date: Milestone:
4Q05   Justify FY05 Supplemental funding to offset cost of contingency
               Operations and increase supply availability for selected systems
4Q05   complete study of "Better Leveraging AWCF to support Operations"

C. Planned Milestone (Beyond FY05):
Date: Milestone:
None.

OSD or HQDA Action Required: N/A (Information only to G4, G8, and ASA-FM).

Note: In times of contingencies, tying replacement of inventory to current customer orders, whose near term funding has been reduced, compounds problems for the supply pipeline and impacts readiness. A co-sponsored study (DA G4 and G8 with AMC) to define requirements determination and funding alternatives in support of expeditionary forces has been initiated. The intent of the study is threefold: 1) define the logistical cost of options the force commander may make, 2) provide funding to allow the AWCF to fully support the field commander's choice, 3) identify the risk to the field commander if funding is not available.   The study deliverables are scheduled for September 2005 and implementation will begin in 2006. Closed for reporting to HQDA – recommend closure reason: Memorandum dated 10 Nov 04, HQDA, G-4 stated that this does not meet the criteria for a material weakness. The weakness addressed funding issues and flow of money rather than logistics or financial processes.

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